

# LEGISLATIVE FISCAL REPORT 2007 BIENNIUM

## Volume 2 - Revenue Estimates

Overview

Business Taxes

Natural Resource Taxes

Interest Earnings

Consumption Taxes

Property Taxes

Other General Fund Revenue

House Joint Resolution 2



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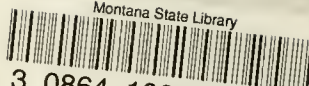
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# Legislative Fiscal Report

2007 Biennium

Volume 2 – Revenue Estimates


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Presented to the Fifty-ninth Legislature

Submitted by the  
Legislative Fiscal Division

Helena, Montana  
May 2005

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<b>Catherine Duncan</b>	<b>Jim Standaert</b>
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# Revenue Estimates

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## How to Use This Report

The following report provides a detailed profile of the revenue estimates used by the 2005 legislature for the 2007 biennium. It is arranged into six main revenue sections. Each section contains profiles of revenue sources that share common characteristics, have many of the same assumptions, and have common estimating methodologies. The six sections are:

1. Business Taxes
2. Natural Resource Taxes
3. Interest Earnings
4. Consumption Taxes
5. Property Taxes
6. Other General Fund Revenue

The sections are marked by divider pages that list each revenue source within that section. The sources are arranged alphabetically within each section.

The report contains profiles of each revenue source estimated by the 59<sup>th</sup> Legislature. Ten categories of information are provided for each source. These categories and a short description of each follow:

**Revenue Description:** A brief description of the source is provided including the origin of the revenue and, in the case of taxes and fees, the item that is taxed.

**Applicable Tax Rate(s):** This section provides an explanation of the tax rate or license fee, more detail on the items that are taxed, and other information such as exemptions, minimums, initial versus annual fees, etc.

**Distribution:** This section shows how the revenue is distributed. In cases where uses or entities other than general fund receive a portion of the revenue, percentage distribution or the dollar amount is shown for each recipient.

**Summary of Legislative Action:** Legislation affecting the revenue source and/or distribution is noted and explained. A table is provided showing the revenue impact of each piece of legislation.

**Statute:** These are the citations from the Montana Code Annotated (MCA) applicable to the revenue source.

**% of Total FY 2004 General Fund Revenue:** To give the reader an idea of the size of a particular revenue source, its percentage of total fiscal 2004 general fund revenue is provided.

**Revenue Projection:** This section consists of a graph and accompanying data table. The line graph shows the amount of actual collections through fiscal 2004 and the projected amounts for fiscal years 2005, 2006, and 2007. Total collections are depicted by a dark line while general fund collections are shown by a lighter line. The data table contains historic information about this data source since 1983 including: 1) actual total collections; 2) actual general fund collections; 3) projected total and general fund amounts for fiscal years 2005, 2006, and 2007; and 4) the yearly percentage change in general fund.

**Forecast Methodology:** This section includes a flow chart illustrating a simplified diagram of the methodology used to determine the revenue estimate.

**Distribution Methodology:** This section includes a flow chart illustrating a simplified diagram of how the revenue received from the source is distributed in the state accounting system.

**Revenue Estimate Assumptions:** The data provided in these tables are used to derive the revenue estimate and do not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of the revenue source. The tables also show the revenue estimates for fiscal years 2005, 2006, and 2007, the estimated general fund amount, and, if applicable, distributions to other funds or uses.

The remaining portion of this document is the legislature's revenue estimates by revenue source.





# OVERVIEW

**Purpose**

**Montana Economic Outlook**





# General Fund Revenue Estimates

## House Joint Resolution 2

During November 2004, prior to the convening of the Fifty-ninth Legislature, the Revenue and Transportation Interim Committee (RTIC) formally adopted economic assumptions and the associated revenue estimates for fiscal 2005, 2006 and 2007. This process is in accordance with 5-18-107, MCA, which states that these estimates "constitute the legislature's current revenue estimates until amended or until final adoption of the estimates by both houses." The actions taken by the RTIC were incorporated into HJR 2 and were introduced at the beginning of the Fifty- ninth Legislature. During the legislative process, the legislature amended HJR 2 with some adjustments to the recommendations offered by the RTIC. Figure 1 shows the total general fund impact of the amended adjustments by the House and Senate by revenue category. Although the House failed to concur with Senate amendments, for the three-year period, fiscal 2005 through 2007, total general fund revenue estimates were increased \$34.1 million from the recommendations of the RTIC.

<b>Figure 1</b> <b>Revenue Estimate Adjustments by 59th Legislature</b> <b>General Fund In Millions</b>				
Revenue Issue	Fiscal 2005	Fiscal 2006	Fiscal 2007	3-Year Total
<b>Revenue and Transportation Committee</b>	<b>\$1,384.639</b>	<b>\$1,429.143</b>	<b>\$1,469.173</b>	<b>\$4,282.955</b>
<b>House Taxation Committee Adjustments</b>				
Coal Trust Interest	(2.107)	(3.227)	(3.345)	(8.679)
Treasury Cash Account Interest	(1.428)	(0.171)	1.366	(0.233)
Individual Income Tax	15.424	-	-	15.424
<b>Total House Adjustments</b>	<b>\$11.889</b>	<b>(\$3.398)</b>	<b>(\$1.979)</b>	<b>\$6.512</b>
<b>Senate Taxation Committee Adjustments</b>				
Individual Income Tax	15.424	-	-	15.424
Oil and Natural Gas Production Tax	-	3.067	6.206	9.273
US Mineral Royalty	-	0.956	1.949	2.905
<b>Total Senate Adjustments</b>	<b>\$15.424</b>	<b>\$4.023</b>	<b>\$8.155</b>	<b>\$27.602</b>
<b>Grand Total All Adjustments</b>	<b>\$27.313</b>	<b>\$0.625</b>	<b>\$6.176</b>	<b>\$34.114</b>
<b>Revised HJR2 Revenue Estimates</b>	<b>\$1,411.952</b>	<b>\$1,429.768</b>	<b>\$1,475.349</b>	<b>\$4,317.069</b>

Figure 2 shows the amended current law general fund estimates by revenue category as contained in HJR 2. Actual fiscal 2004 collections are shown, along with projections for fiscal 2005 through 2007.

<b>Figure 2</b> <b>House Joint Resolution 2</b> <b>General Fund Revenue Estimates</b> <b>In Millions</b>								
Source of Revenue	Percent of 2004	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Individual Income Tax	43.82%	\$605.348	\$619.486	\$605.029	\$629.840	\$1,224.834	\$1,234.869	42.51%
2 Property Tax	12.27%	169.531	170.051	175.823	182.663	339.582	358.486	54.85%
3 Corporation Income Tax	4.90%	67.723	66.332	80.621	77.927	134.055	158.548	60.30%
4 Vehicle Tax	6.05%	83.607	80.360	80.140	82.050	163.967	162.190	65.89%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	65.89%
6 Insurance Tax & License Fees	4.09%	56.533	59.272	62.163	65.220	115.805	127.383	70.27%
7 Coal Trust Interest	2.53%	34.907	33.892	33.563	33.898	68.799	67.461	72.59%
8 US Mineral Royalty	2.08%	28.736	35.837	35.616	37.283	64.573	72.899	75.10%
9 All Other Revenue	2.19%	30.242	28.304	24.734	24.923	58.546	49.657	76.81%
10 Tobacco Settlement	0.21%	2.934	2.871	2.319	2.309	5.805	4.628	76.97%
11 Telecommunications Excise Tax	1.51%	20.890	21.307	21.700	22.101	42.197	43.801	78.48%
12 Video Gambling Tax	3.67%	50.749	52.932	55.304	57.782	103.681	113.086	82.37%
13 Treasury Cash Account Interest	0.46%	6.393	9.174	13.116	14.381	15.567	27.497	83.32%
14 Estate Tax	0.83%	11.431	3.701	1.950	0.939	15.132	2.889	83.42%
15 Oil & Natural Gas Production Tax	2.99%	41.324	58.206	61.565	65.263	99.530	126.828	87.78%
16 Motor Vehicle Fee	2.22%	30.724	31.730	36.770	37.819	62.454	74.589	90.35%
17 Public Institution Reimbursements	1.31%	18.110	16.032	14.900	14.900	34.142	29.800	91.38%
18 Lodging Facility Use Tax	0.67%	9.279	10.113	10.715	11.419	19.392	22.134	92.14%
19 Coal Severance Tax	0.63%	8.643	9.105	8.659	8.841	17.748	17.500	92.74%
20 Liquor Excise & License Tax	0.78%	10.718	11.125	11.535	11.959	21.843	23.494	93.55%
21 Cigarette Tax	2.61%	36.002	34.608	33.193	32.030	70.610	65.223	95.80%
22 Investment License Fee	0.35%	4.834	4.464	4.598	4.736	9.298	9.334	96.12%
23 Lottery Profits	0.59%	8.116	7.273	7.288	7.953	15.389	15.241	96.64%
24 Liquor Profits	0.47%	6.500	6.608	6.854	7.158	13.108	14.012	97.12%
25 Nursing Facilities Fee	0.43%	5.916	5.833	5.793	5.757	11.749	11.550	97.52%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.52%
27 Electrical Energy Tax	0.34%	4.661	4.295	4.276	4.270	8.956	8.546	97.82%
28 Metalliferous Mines Tax	0.23%	3.232	4.483	5.328	5.533	7.715	10.861	98.19%
29 Highway Patrol Fines	0.30%	4.084	4.104	4.125	4.143	8.188	8.268	98.47%
30 Public Contractors Tax	0.15%	2.120	1.748	3.030	2.872	3.868	5.902	98.68%
31 Wholesale Energy Tax	0.24%	3.293	3.485	3.520	3.555	6.778	7.075	98.92%
32 Tobacco Tax	0.26%	3.562	3.677	3.779	3.847	7.239	7.626	99.18%
33 Driver's License Fee	0.22%	3.021	2.997	3.011	3.018	6.018	6.029	99.39%
34 Rental Car Sales Tax	0.18%	2.486	2.593	2.704	2.820	5.079	5.524	99.58%
35 Railroad Car Tax	0.11%	1.568	1.585	1.574	1.562	3.153	3.136	99.69%
36 Wine Tax	0.10%	1.423	1.436	1.487	1.538	2.859	3.025	99.79%
37 Beer Tax	0.21%	2.897	2.933	2.986	3.039	5.830	6.025	100.00%
38 Telephone License Tax	0.00%	0.029	-	-	-	0.029	-	100.00%
39 Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
Total General Fund	100.00%	<u>\$1,381.565</u>	<u>\$1,411.952</u>	<u>\$1,429.768</u>	<u>\$1,475.348</u>	<u>\$2,793.517</u>	<u>\$2,905.116</u>	100.00%



## Revenue Impacts of Legislation

Figure 3 shows the revenue impacts of legislation enacted by the Fifty-ninth Legislature. If more than one bill was enacted that impacts a given revenue source, the cumulative impact of the bills is shown for each revenue source.

**Figure 3**  
**Revenue Legislation Impacts of 59th Legislature**  
**Total General Fund**  
**In Millions**

Source of Revenue	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Estimated 05,06,07
1 Individual Income Tax	(\$4.750)	\$2.149	\$0.220	(\$4.750)	\$2.369	(\$2.381)
2 Property Tax	(0.681)	(2.019)	(2.601)	(0.681)	(4.620)	(5.301)
3 Corporation Income Tax	-	0.527	1.070	-	1.597	1.597
4 Vehicle Tax	-	-	-	-	-	-
5 Common School Interest and Income	-	-	-	-	-	-
6 Insurance Tax & License Fees	-	(0.583)	(0.583)	-	(1.166)	(1.166)
7 Coal Trust Interest	-	(1.352)	(1.608)	-	(2.960)	(2.960)
8 US Mineral Royalty	(8.959)	(8.904)	(9.321)	(8.959)	(18.225)	(27.184)
9 All Other Revenue	-	2.655	4.678	-	7.333	7.333
10 Tobacco Settlement	-	-	-	-	-	-
11 Telecommunications Excise Tax	-	-	-	-	-	-
12 Video Gambling Tax	-	(0.273)	(0.273)	-	(0.546)	(0.546)
13 Treasury Cash Account Interest	-	(0.014)	(0.014)	-	(0.028)	(0.028)
14 Estate Tax	-	-	-	-	-	-
15 Oil & Natural Gas Production Tax	-	(0.373)	(0.305)	-	(0.678)	(0.678)
16 Motor Vehicle Fee	-	(1.741)	(0.859)	-	(2.600)	(2.600)
17 Public Institution Reimbursements	0.050	0.227	0.149	0.050	0.376	0.426
18 Lodging Facility Use Tax	-	-	-	-	-	-
19 Coal Severance Tax	-	(0.193)	(0.197)	-	(0.390)	(0.390)
20 Liquor Excise & License Tax	-	-	-	-	-	-
21 Cigarette Tax	-	(0.124)	(0.240)	-	(0.364)	(0.364)
22 Investment License Fee	-	-	-	-	-	-
23 Lottery Profits	-	0.556	(0.114)	-	0.442	0.442
24 Liquor Profits	-	(0.068)	(0.141)	-	(0.209)	(0.209)
25 Nursing Facilities Fee	0.022	0.058	0.067	0.022	0.125	0.147
26 Foreign Capital Depository Tax	-	-	-	-	-	-
27 Electrical Energy Tax	-	-	-	-	-	-
28 Metalliferous Mines Tax	-	(0.092)	(0.095)	-	(0.187)	(0.187)
29 Highway Patrol Fines	-	0.917	1.181	-	2.098	2.098
30 Public Contractors Tax	-	-	(0.350)	-	(0.350)	(0.350)
31 Wholesale Energy Tax	-	-	-	-	-	-
32 Tobacco Tax	-	-	-	-	-	-
33 Driver's License Fee	(0.039)	(0.227)	(0.226)	(0.039)	(0.453)	(0.492)
34 Rental Car Sales Tax	-	-	-	-	-	-
35 Railroad Car Tax	-	-	-	-	-	-
36 Wine Tax	-	-	-	-	-	-
37 Beer Tax	-	-	-	-	-	-
38 Telephone License Tax	-	-	-	-	-	-
39 Long Range Bond Excess	-	-	-	-	-	-
<b>Total General Fund</b>	<b>(\$14.357)</b>	<b>(\$8.874)</b>	<b>(\$9.562)</b>	<b>(\$14.357)</b>	<b>(\$18.436)</b>	<b>(\$32.793)</b>

Figure 4 shows the revenue impacts of legislation enacted by the Fifty-ninth legislature summarized by bill number. For the three- year period, fiscal 2005 through 2007, total general fund revenues were decreased by \$32.8 million. Senate Bill 212 (US mineral royalties) accounts for 84 percent of this decreased revenue.

**Figure 4**  
**Impact of Enacted Legislation By Bill Number**  
**General Fund and Total Funds**

Bill Number and Short Description	General Fund	General Fund	General Fund	General Fund	Total Funds
	Impact Fiscal 2005	Impact Fiscal 2006	Impact Fiscal 2007	Impact 05,06,07	Impact 05,06,07
HB0002 General appropriatioos act	\$ -	\$ 1,191,907	\$ 1,843,395	\$ 3,035,302	\$ 3,035,302
HB0005 Long-range building appropriatioos	-	(470,000)	(470,000)	(940,000)	(940,000)
HB0006 Renewable resource grants	-	-	-	-	600,000
HB0007 Reclamation and development grants	-	-	-	-	457,116
HB0008 Renewable resource boods and loans	-	-	-	-	7,236,264
HB0009 Cultural and aesthetic grant appropriations	-	-	-	-	4,323,877
HB0014 Authorize auction of mountain goat license	-	-	-	-	19,000
HB0017 Revise treatment of donations to historical society	-	-	-	-	-
HB0018 Extend duration of state-tribal economic development commissioo	-	-	-	-	2,000,000
HB0022 Funding for water adjudication	-	-	-	-	6,200,000
HB0034 Revise nonresident turkey tag laws	-	-	-	-	108,420
HB0035 Highway patrol officer salaries and retention	-	-	-	-	9,940,725
HB0053 Conform Board of Horseracing laws to GASB	-	-	-	-	-
HB0060 Indoor cleanup standards for methamphetamine labs	-	7,500	7,500	15,000	15,000
HB0071 Revise license fees on certain mortgage brokers	-	-	-	-	(30,000)
HB0077 Increase septic pumper application review fees	-	-	-	-	54,250
HB0079 Make the Habitat Montana program permanent	-	-	-	-	7,200,000
HB0083 Revise school district tuition payments	-	-	336,000	336,000	336,000
HB0087 Transfer fleet vehicle registration to Department of Justice	-	-	-	-	-
HB0099 Penalty for driving when license suspended or revoked for DUI or test refusal	-	712,000	949,000	1,661,000	1,661,000
HB0102 Statutory appropriation for highway patrol officers' retirement	-	600,000	-	600,000	600,000
HB0109 Transfer capitol complex maintenance to department of administration	-	-	-	-	-
HB0113 Require DNA samples from all felons	-	-	-	-	409,480
HB0119 Make permanent county recreational boating safety grants, boating advisory cncl	-	-	-	-	40,000
HB0140 Revise laws on consumer credit counseling	-	-	-	-	5,000
HB0158 Revise and clarify income tax withholding	(4,750,000)	-	-	(4,750,000)	(4,750,000)
HB0159 Revise unemployment insurance laws	-	-	-	-	17,250
HB0160 Revise building code administration, enforcement provisions	-	-	-	-	100,750
HB0161 Revise certain workers' compensation laws	-	-	-	-	26,430
HB0170 Clarify fund transfers for certain vehicle taxes and fees	-	-	-	-	1,495,498
HB0172 Revise certain resident & nonresident hunting and fishing license fees	-	-	-	-	4,146,734
HB0173 Allow use of search and rescue surcharge in fiscal year after deposit	-	-	-	-	200,000
HB0174 Revise private pood licensing laws	-	-	-	-	25,830
HB0192 Revise commercial driver's license, driver's license, and cmv laws	(38,595)	(231,565)	(231,565)	(501,725)	(501,739)
HB0201 Fund natural resource damage litigation	-	(13,706)	(27,324)	(41,030)	(41,030)
HB0203 Clarify responsibility of boards and department of labor and industry	-	-	-	-	9,500
HB0214 Authorize nonresident youth big game combination license	-	-	-	-	187,500
HB0235 Enhance hunter management laws--PL/PW recommendations	-	-	-	-	746,232
HB0249 Economic development trust fund	-	(1,338,000)	(1,581,000)	(2,919,000)	17,081,000
HB0272 Half-priced hunting licenses to certain disabled veterans	-	-	-	-	5,830
HB0274 Revise feed registration and licensing laws	-	-	-	-	196,250
HB0301 Revise use of Lewis & Clark license plate funds	-	-	-	-	75,147
HB0316 Revise fees charged by public service commissioo	-	(6,728)	(6,728)	(13,456)	-
HB0348 Revise youth access to alcohol and provide for keg registration	-	12,500	12,500	25,000	25,000

**Figure 4 (Continued)**  
**Impact of Enacted Legislation By Bill Number**  
**General Fund and Total Funds**

Bill Number and Short Description	General Fund Impact Fiscal 2005	General Fund Impact Fiscal 2006	General Fund Impact Fiscal 2007	General Fund Impact 05,06,07	Total Funds Impact 05,06,07
HB0370 Revise strip and underground mine reclamation act	-	(200)	(300)	(500)	(500)
HB0374 Increase drunk driving penalty when person under 16 was in vehicle	-	73,069	97,425	170,494	170,494
HB0377 Enforce license plate violations by nonresidents working in Montana	-	8,438	11,250	19,688	19,688
HB0379 Fund Zortman-Landusky mine reclamation	-	-	-	-	2,400,000
HB0421 Nonresident child of resident hunting and fishing licenses	-	-	-	-	(26,946)
HB0425 Transfer consumer protection functions from D of Admin to Department of Justice	-	-	-	-	-
HB0428 Revise laws related to enforcement of strip and underground mine reclamation	-	-	-	-	35,000
HB0439 Disallow double credit for foreign income tax payment	-	-	369,000	369,000	369,000
HB0447 Increase state employee pay	-	(172,424)	(463,340)	(635,764)	(1,110,283)
HB0453 Administrative penalties for certain environmental law violations	-	600	1,200	1,800	4,800
HB0463 Increase and extend tax credit for postconsumer glass use	-	-	-	-	(4,400)
HB0470 Applicants to pay for certain environmental impact statements	-	-	-	-	500,000
HB0476 Increase marriage lic. fees for funding dom. & sex. violence victims' services	-	-	-	-	186,966
HB0482 Revise allocation of funds to coal tax shared account	-	(192,772)	(196,835)	(389,607)	-
HB0484 Mobile meat processor licensing and inspection	-	-	-	-	88,904
HB0514 Increase restitution for illegal taking of grizzly bear	-	4,278	4,278	8,556	8,556
HB0528 Year round beer and wine license for west Yellowstone airport	-	400	400	800	1,600
HB0535 Revise taxation of stripper well production	-	(374,404)	(305,992)	(680,396)	(1,502,294)
HB0536 Generally revise court automation surcharge	-	1,605,336	1,605,336	3,210,672	3,210,672
HB0541 Allow motor homes 11 years old and older to be permanently registered	-	38,988	32,246	71,234	71,234
HB0552 Change asset test for children for medicaid	-	-	-	-	5,881,419
HB0584 Promote growth of film and other media in Montana	-	(369,360)	(369,360)	(738,720)	(703,550)
HB0592 Standardize penalty and interest calculations for taxes	-	542,997	70,044	613,041	613,041
HB0628 Registration and board requirements for certain alternative schools and programs	-	-	-	-	44,000
HB0643 Eliminate smoking in enclosed public places	-	(147,384)	(284,355)	(431,739)	(875,606)
HB0667 Purchasing pools, tax credit for health insurance	-	-	-	-	2,570,312
HB0671 Generally revise motor vehicle law	-	943,300	1,890,100	2,833,400	3,602,575
HB0698 Warm water fishery enhancement program	-	-	-	-	46,868
HB0700 Revise allocation and use of metal mines license tax	-	(92,000)	(95,000)	(187,000)	-
HB0704 Time requirements for certain DPHHS actions involving long-term care facilities	-	-	-	-	404,586
HB0726 Revise law on community corrections to allow day reporting	-	-	-	-	12,500
HB0740 Appropriate money for asbestos-disease related programs	-	-	-	-	175,000
HB0749 Revise nursing home bed tax	-	32,700	55,767	88,467	32,229,918
HB0757 Revolving loan account for rehabilitation of railroad branch lines	-	-	-	-	3,444,000
HB0758 Oil, gas, and coal natural resource account fund	-	-	-	-	-
HB0761 Life insurance premium reimbursement for members of national guard/reserve	-	-	-	-	660,000
HB0772 Pay travel expenses for catastrophically injured workers	-	-	-	-	25,000
HB0802 Eliminate annual permit surcharge fee for video gambling machines	-	(273,275)	(273,275)	(546,550)	(546,550)
SB0001 Authorize living will indicator on driver's license	-	4,459	5,945	10,404	15,721
SB0048 Stop class 8 property tax reduction	-	(171,716)	(456,864)	(628,580)	(671,079)
SB0064 Revise contractor registration laws	-	-	-	-	129,756
SB0067 Increase fees for marriage license and declaration of marriage w/o solemnization	-	(1,798)	(1,798)	(3,596)	(3,596)
SB0074 Clarify eligibility of land for valuation as nonqualified agricultural land	-	-	52,022	52,022	55,308
SB0077 Remove sunset on hunting access enhancement & hunter management programs	-	-	-	-	10,205,021

**Figure 4 (Continued)**  
**Impact of Enacted Legislation By Bill Number**  
**General Fund and Total Funds**

Bill Number and Short Description	General Fund Impact Fiscal 2005	General Fund Impact Fiscal 2006	General Fund Impact Fiscal 2007	General Fund Impact 05,06,07	Total Funds Impact 05,06,07
SB0080 Prohibit open alcohol containers in vehicles	-	122,625	122,625	245,250	245,250
SB0082 Revise definition of and utilization fee on ICF/DD	72,269	142,787	141,759	356,815	615,415
SB0084 Generally revise gambling laws	-	5,000	5,000	10,000	63,000
SB0085 Income tax checkoff for renal dialysis	-	-	-	-	24,000
SB0087 Clarify appeal and payment of protested taxes for centrally assessed property	(680,750)	(1,361,500)	(1,361,500)	(3,403,750)	2,800,000
SB0091 Allocation of special wild buffalo licenses to Montana Indian tribes	-	-	-	-	(3,750)
SB0098 Montana land information act	-	-	-	-	2,100,000
SB0108 Provide additional judge for 18th judicial district	-	-	-	-	1,640,000
SB0110 Medicaid redesign: HIFA and 1115 demonstration waiver authority	-	-	-	-	14,520,000
SB0115 Equitable taxation of wind energy facilities	-	-	(632,082)	(632,082)	(672,003)
SB0120 Extend hospital tax on inpatient bed days	-	-	-	-	86,431,478
SB0121 Revise laws governing state hospital charges for criminally convicted	-	109,397	18,864	128,261	128,261
SB0123 Revise contractor recordkeeping for special fuels	-	500	500	1,000	1,000
SB0126 Revise boating registration laws	-	-	-	-	146,588
SB0130 Revise microbusiness development program	-	(13,507)	(13,507)	(27,014)	-
SB0133 Capital formation act for venture capital	-	-	-	-	65,259
SB0137 License tattoo and body-piercing businesses	-	-	-	-	34,750
SB0143 Authorize contingent transfer and appropriation from orphan share account	-	-	-	-	600,000
SB0146 Statewide public defender system	-	-	-	-	80,000
SB0167 Technology districts -- tax increment financing	-	-	-	-	-
SB0208 Increase conviction charge to fund victim services	-	34,178	34,178	68,356	68,356
SB0212 Revise allocation and distribution of federal mineral leasing funds	(8,959,250)	(8,904,000)	(9,321,000)	(27,184,250)	-
SB0213 Revise recycling laws	-	-	(221,437)	(221,437)	(221,437)
SB0248 Revise penalty for no motor vehicle insurance	-	21,000	28,000	49,000	49,000
SB0274 Revise coverage of mortgage broker law	-	-	-	-	139,350
SB0275 Revising voluntary genetics program; increasing program fees	-	(582,956)	(582,956)	(1,165,912)	499,676
SB0276 Revise taxes on bentonite	-	(244,534)	(241,139)	(485,673)	1,579,570
SB0282 Revise racial profiling law	-	-	-	-	11,520
SB0285 Organize and simplify motor vehicle laws	-	(2,743,892)	(2,809,745)	(5,553,637)	-
SB0296 Alternative method for assessing, taxing certain land parcels	-	-	(52,178)	(52,178)	(55,457)
SB0298 Clarify fish production at & planting of fish from Fort Peck warm water hatchery	-	-	-	-	70,000
SB0320 Facilitate establishment of concentrated animal feeding operations	-	-	-	-	(81,000)
SB0323 Carryforward of contractor's gross receipts tax -- corporate income	-	-	(350,000)	(350,000)	(350,000)
SB0324 Prescription drug assistance and discount programs	-	-	-	-	4,177,440
SB0339 Provide low-cost sports licenses for active military personnel	-	-	-	-	(27,709)
SB0340 Builder allowed tax credit for residential geothermal systems	-	-	(45,000)	(45,000)	(45,000)
SB0359 Revise statutes related to school district enrollment	-	(5,600)	(5,600)	(11,200)	(11,200)
SB0370 Detention officers included in sheriffs' retirement system	-	-	-	-	1,267,520
SB0406 Fund civil legal assistance for indigent victims of domestic violence	-	-	-	-	54,900
SB0412 Provide for regulation of elevator contractors, mechanics, and inspectors	-	-	-	-	99,840
SB0433 Medicaid pilot program for individuals with developmental disabilities	-	-	-	-	32,000
SB0442 Repeal POINTS replacement fee	-	2,623,970	3,144,202	5,768,172	-
SB0459 Transfer motor carrier safety assistance program from justice to transportation	-	-	-	-	500,633
SB0461 Wolf collaring near livestock or population center	-	-	-	-	50,000
SB0486 Revise viatical settlement law	-	-	-	-	20,000
<b>Total Impact of Legislation Listed Above</b>	<b><u>\$ (14,356,326)</u></b>	<b><u>\$ (8,873,392)</u></b>	<b><u>\$ (9,561,344)</u></b>	<b><u>\$ (32,791,062)</u></b>	<b><u>\$ 239,999,528</u></b>



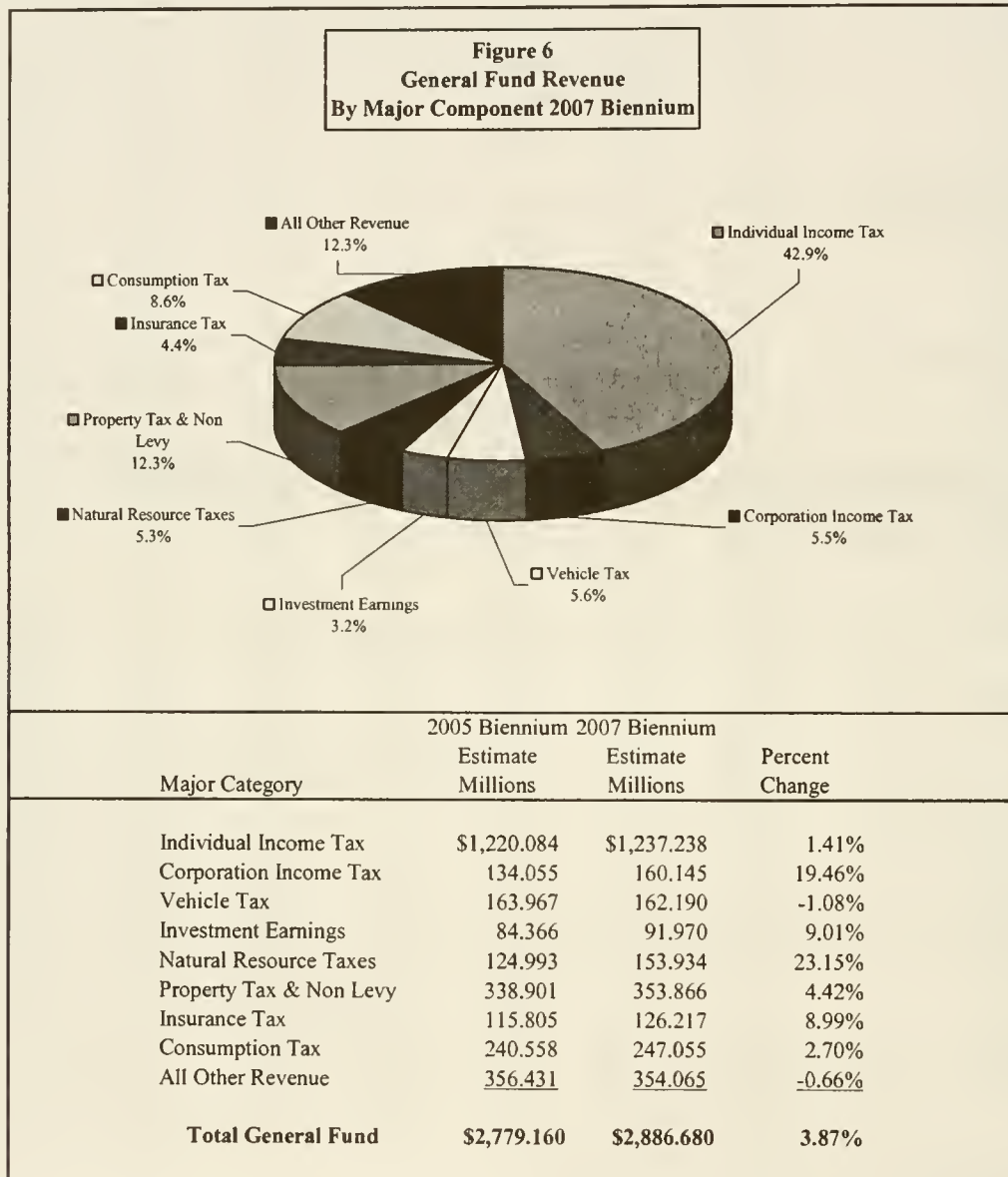
Figure 5 shows the revised general fund revenue estimates by source which is the sum of HJR 2 estimates and all enacted legislation impacts. These revised estimates are used in “Volume 1 – Statewide Perspectives” to determine the overall financial condition of the general fund for the 2005 and 2007 biennia.

**Figure 5**  
**House Joint Resolution 2 Plus Legislation Impacts**  
**General Fund Revenue Estimates**  
 In Millions

Source of Revenue	Percent of 2004	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Individual Income Tax	43.82%	\$605,348	\$614,736	\$607,178	\$630,060	\$1,220,084	\$1,237,238	42.86%
2 Property Tax	12.27%	169,531	169,370	173,804	180,062	338,901	353,866	55.12%
3 Corporation Income Tax	4.90%	67,723	66,332	81,148	78,997	134,055	160,145	60.67%
4 Vehicle Tax	6.05%	83,607	80,360	80,140	82,050	163,967	162,190	66.29%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	66.29%
6 Insurance Tax & License Fees	4.09%	56,533	59,272	61,580	64,637	115,805	126,217	70.66%
7 Coal Trust Interest	2.53%	34,907	33,892	32,211	32,290	68,799	64,501	72.89%
8 US Mineral Royalty	2.08%	28,736	26,878	26,712	27,962	55,614	54,674	74.79%
9 All Other Revenue	2.19%	30,242	28,304	27,389	29,601	58,546	56,990	76.76%
10 Tobacco Settlement	0.21%	2,934	2,871	2,319	2,309	5,805	4,628	76.92%
11 Telecommunications Excise Tax	1.51%	20,890	21,307	21,700	22,101	42,197	43,801	78.44%
12 Video Gambling Tax	3.67%	50,749	52,932	55,031	57,509	103,681	112,540	82.34%
13 Treasury Cash Account Interest	0.46%	6,393	9,174	13,102	14,367	15,567	27,469	83.29%
14 Estate Tax	0.83%	11,431	3,701	1,950	0,939	15,132	2,889	83.39%
15 Oil & Natural Gas Production Tax	2.99%	41,324	58,206	61,192	64,958	99,530	126,150	87.76%
16 Motor Vehicle Fee	2.22%	30,724	31,730	35,029	36,960	62,454	71,989	90.25%
17 Public Institution Reimbursements	1.31%	18,110	16,082	15,127	15,049	34,192	30,176	91.30%
18 Lodging Facility Use Tax	0.67%	9,279	10,113	10,715	11,419	19,392	22,134	92.06%
19 Coal Severance Tax	0.63%	8,643	9,105	8,466	8,644	17,748	17,110	92.66%
20 Liquor Excise & License Tax	0.78%	10,718	11,125	11,535	11,959	21,843	23,494	93.47%
21 Cigarette Tax	2.61%	36,002	34,608	33,069	31,790	70,610	64,859	95.72%
22 Investment License Fee	0.35%	4,834	4,464	4,598	4,736	9,298	9,334	96.04%
23 Lottery Profits	0.59%	8,116	7,273	7,844	7,839	15,389	15,683	96.58%
24 Liquor Profits	0.47%	6,500	6,608	6,786	7,017	13,108	13,803	97.06%
25 Nursing Facilities Fee	0.43%	5,916	5,855	5,851	5,824	11,771	11,675	97.47%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.47%
27 Electrical Energy Tax	0.34%	4,661	4,295	4,276	4,270	8,956	8,546	97.76%
28 Metalliferous Mines Tax	0.23%	3,232	4,483	5,236	5,438	7,715	10,674	98.13%
29 Highway Patrol Fines	0.30%	4,084	4,104	5,042	5,324	8,188	10,366	98.49%
30 Public Contractors Tax	0.15%	2,120	1,748	3,030	2,522	3,868	5,552	98.68%
31 Wholesale Energy Tax	0.24%	3,293	3,485	3,520	3,555	6,778	7,075	98.93%
32 Tobacco Tax	0.26%	3,562	3,677	3,779	3,847	7,239	7,626	99.19%
33 Driver's License Fee	0.22%	3,021	2,958	2,784	2,792	5,979	5,576	99.39%
34 Rental Car Sales Tax	0.18%	2,486	2,593	2,704	2,820	5,079	5,524	99.58%
35 Railroad Car Tax	0.11%	1,568	1,585	1,574	1,562	3,153	3,136	99.69%
36 Wine Tax	0.10%	1,423	1,436	1,487	1,538	2,859	3,025	99.79%
37 Beer Tax	0.21%	2,897	2,933	2,986	3,039	5,830	6,025	100.00%
38 Telephone License Tax	0.00%	0,029	-	-	-	0,029	-	100.00%
39 Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
<b>Total General Fund</b>	<b>100.00%</b>	<b>\$1,381,565</b>	<b>\$1,397,595</b>	<b>\$1,420,894</b>	<b>\$1,465,786</b>	<b>\$2,779,160</b>	<b>\$2,886,680</b>	<b>100.00%</b>



Figure 6 shows the revenue contribution to the general fund account by the most significant revenue components. During the 2007 biennium, over 66 percent of total general fund revenue comes from income, property, and vehicle taxes, while about 3 percent is generated from investment earnings. Natural resource taxes are estimated to produce about 5 percent of total general fund revenue during the 2007 biennium. The information shown in Figure 6 illustrates the significant dependence the state has on income, property, and vehicle taxes to fund general government operations. In addition, Figure 6 shows the general fund will receive an estimated \$92 million in the 2007 biennium from investment earnings. Although these revenues are due to the investment by the state of taxpayer dollars, they can be viewed as taxpayer savings or relief. Without these revenues, the state would either have to cut services, increase other revenues, or do a combination of both.



Total general fund revenues for the 2007 biennium are projected to increase 3.9 percent over the 2005 biennium projections. The comparative change by major revenue category is shown at the bottom of Figure 6. Included in this increase is \$32.8 million of reduced revenue in the 2007 biennium due to the enactment of the legislation shown in Figure 4.

## Non-General Fund Revenue Estimates

Figure 7 shows estimates for selected non-general fund revenue for fiscal years 2005, 2006, and 2007. These estimates were adopted because of their importance in the budgeting process.

**Figure 7**  
**House Joint Resolution 2 Plus Legislation Impacts**  
**Non-General Fund Revenue Estimates**  
 In Millions

Source of Revenue	Percent of Total	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Diesel Tax	19.23%	\$ 63.181	\$ 65.819	\$ 68.567	\$ 71.430	\$ 129.000	\$ 139.997	20.68%
2 Federal Forest Receipts	3.80%	12.491	12.654	12.795	12.878	25.145	25.673	24.48%
3 Gasoline Tax	40.46%	132.962	133.577	134.177	134.774	266.539	268.951	64.22%
4 GVW and Other Fees	8.37%	27.500	27.896	28.287	28.732	55.396	57.019	72.64%
5 Resource Indemnity Tax	0.38%	1.251	1.229	1.176	1.323	2.480	2.499	73.01%
6 Arts Trust Interest	0.10%	0.326	0.315	0.315	0.328	0.641	0.643	73.11%
7 Capital Land Grant Interest and Income	0.73%	2.413	0.820	0.939	0.943	3.233	1.882	73.38%
8 Deaf & Blind Interest and Income	0.09%	0.299	0.289	0.282	0.283	0.588	0.565	73.47%
9 Parks Trust Interest	0.35%	1.140	1.080	1.061	1.086	2.220	2.147	73.78%
10 Pine Hills Interest and Income	0.12%	0.394	0.373	0.365	0.366	0.767	0.731	73.89%
11 RIT Trust Interest	2.25%	7.380	6.898	6.626	6.627	14.278	13.253	75.85%
12 TSE Trust Interest	2.54%	8.349	8.337	8.578	9.071	16.686	17.649	78.46%
13 Property Tax: 6 Mill	3.46%	11.374	10.660	10.854	11.090	22.034	21.944	81.70%
14 Property Tax: 9 Mill	0.00%	-	-	-	-	-	-	81.70%
15 Tobacco Trust Interest	0.81%	2.670	2.841	3.301	3.820	5.511	7.121	82.75%
16 Regional Water Trust Interest	0.37%	1.201	1.348	1.553	1.797	2.549	3.350	83.25%
17 Common School Interest and Income	16.94%	55.663	59.004	57.149	56.233	114.667	113.382	100.00%
<b>Total Non-General Fund</b>	<b>100.00%</b>	<b>\$328.594</b>	<b>\$333.140</b>	<b>\$336.025</b>	<b>\$340.781</b>	<b>\$661.734</b>	<b>\$676.806</b>	<b>100.00%</b>

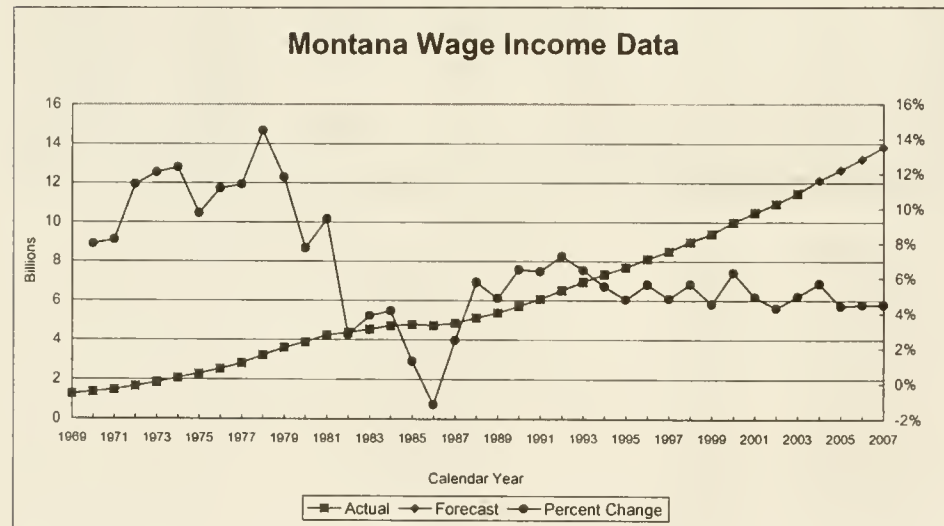
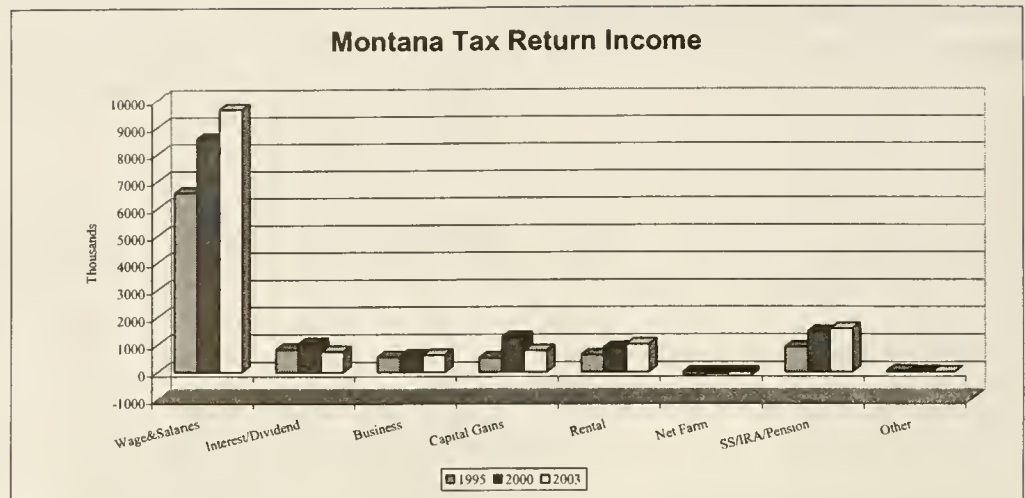
# Economic Outlook For Montana

## Montana Total Income

The total of all income sources listed on the Montana personal income tax form is referred to as Montana total income. The Department of Revenue tracks income from 11 different components, including wages, interest, dividends, business, capital gains, supplemental, rental, farm, social security, IRA and pension, and other incomes.

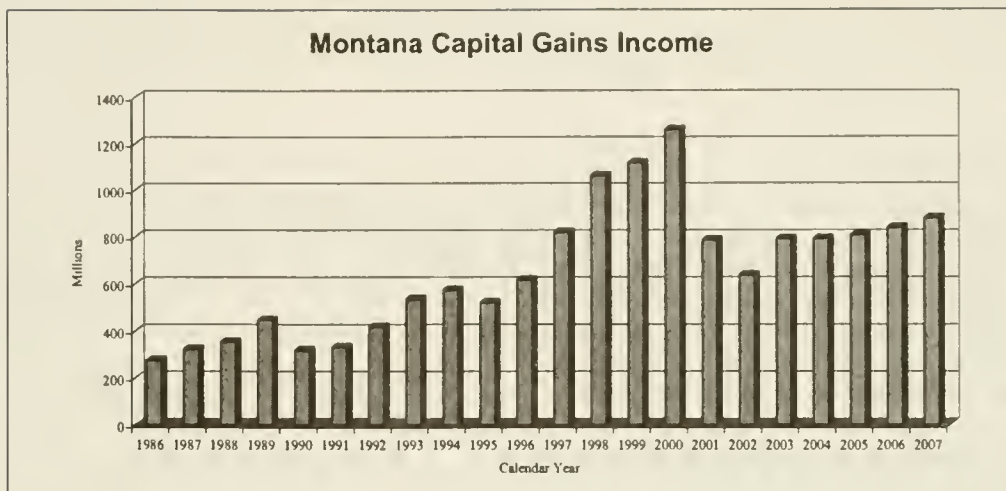
Montana total income is the single most important variable to consider in the revenue estimation process. Of the 11 income items, wage and salary income provides the largest portion of Montana total income.

Since 1990, wage and salary income has contributed an annual average of 65.2 percent of total income. In calendar 2001, it contributed 65.8 percent, or \$9.013 billion. The average annual growth from calendar 1990 to 2001 has been 5.5 percent.



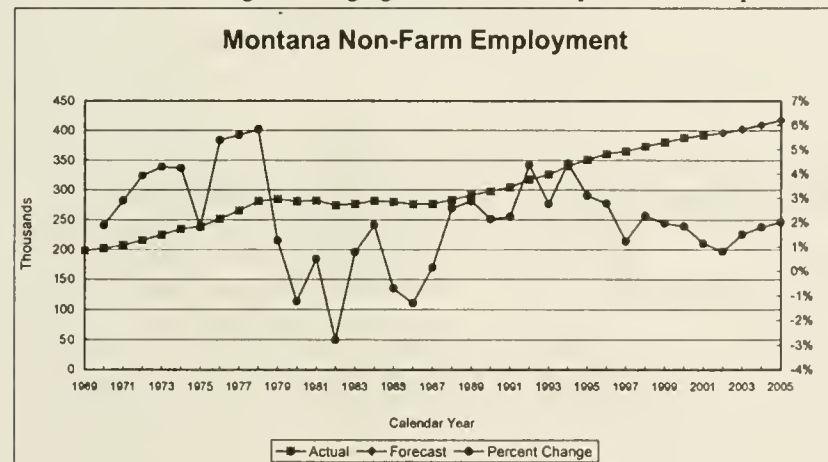
In recent times, capital gains income has been the focus of much conversation and speculation. Capital gains income has increased in relative importance over the decade. In 1990, capital gains made up only 4.2 percent of total income, with reported income of \$318 million. In 2000, capital gains contributed 9.2 percent of total income, at \$1.260 billion. In 2001, capital gains receded to 5.7 percent of total income, with income at \$786 million. That equates to a reduction of over 37.6 percent over the previous year, or \$474 million in income.

For the 2005 biennium, growth in wages and salaries is expected to be slow in calendar 2002 and 2003, while gradually increasing to about 5 percent by calendar 2005. Capital gains is projected to decline an additional 28 percent in calendar 2002 and remain flat in calendar 2003. For the last two years of the biennium, capital gains are estimated to rebound to a historic growth rate of 7.5 percent per year.



## Montana Employment

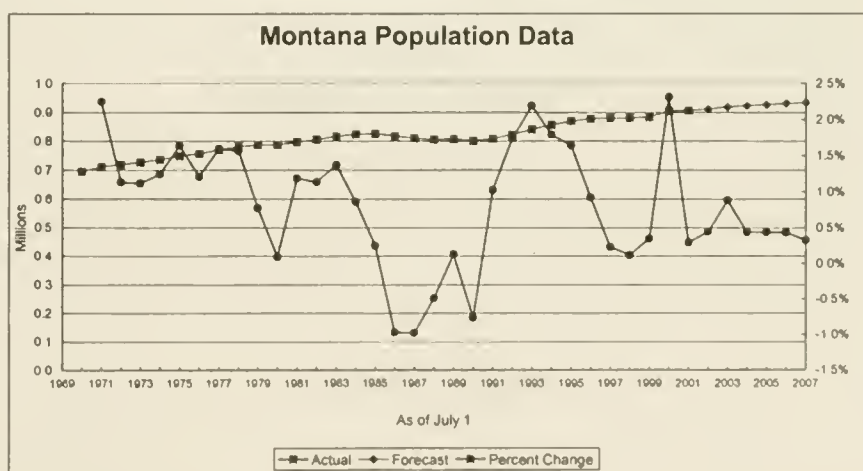
Like personal income, employment plays a key role in shaping the estimate of the individual income tax revenues. Furthermore, the information allows a view into the changing employment climate in Montana, where jobs are migrating, and how incomes might be altered. Dr. Paul Polzin, Director of the Montana Bureau of Business and Economic Research, is one of the several sources that provide information concerning the changing industrial make up of the state. Specific detailed data is gathered from the Montana Department of



Labor, Research and Analysis Division. The statistics collected include employment in manufacturing, mining, construction, public utilities, whole and retail, finance, insurance, real estate, services, and government sectors. Average annual growth since 1996 has been 2.0 percent. The estimates for future growth, during the forecast period, reflects a gradual increase of 0.8 percent in calendar 2002 to 1.8 percent by calendar 2005. Over the past decade, the largest area of growth was seen in construction employment, which experienced 98.1 percent positive growth. The service sectors follows, experiencing 55.4 percent growth in the same period. Mining is the only area that saw negative growth, with a workforce reduction of 12.7 percent since 1990.

## Montana Population

Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide. Accurate population estimates are especially important when determining the changes expected in overall and per capita income for the state.



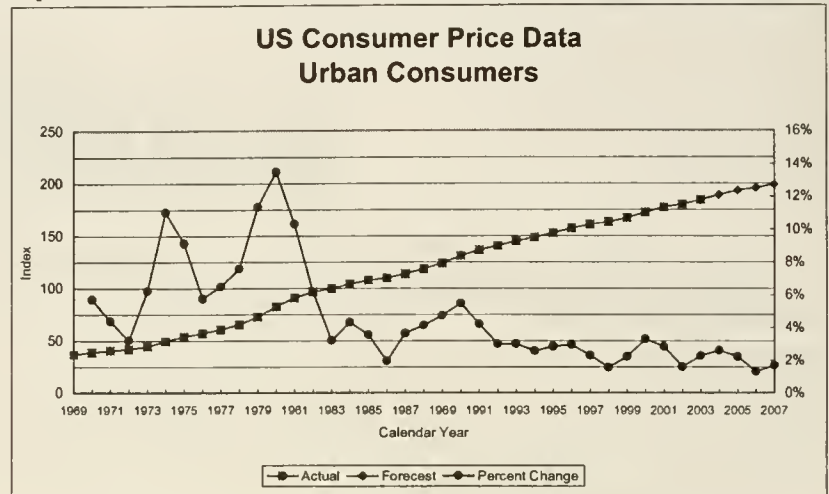


Consumption of any given item is highly reliant upon the size of the population, so accurate population forecasts are essential when determining tax revenues from the sources mentioned above. Historic population data is gathered from the U.S. Census department while projections are obtained from Woods and Poole Econometric Service. Since the early 1990's, Montana has experienced positive growth in total population varying between 0.1 percent in 1998 to 2.3 percent in 2000. Growth through the next biennium is estimated at 0.9 percent annually.

## Inflation Rates

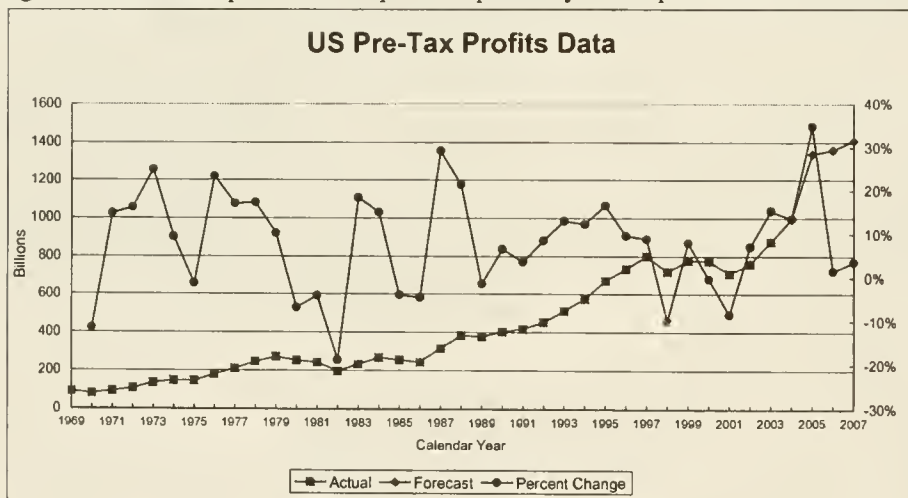
The inflation rate is measured by the price change of the Consumer Price Index (CPI) "shopping basket" of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less. Several areas where this information is vital in determining costs include minerals, timber, energy resources, and most services.

Since Montana's individual income tax structure is fully indexed by changes in the consumer price index, this assumption is critical in the formulation of the individual income tax forecasts. The U.S. Bureau of Labor Statistics provides the required CPI data for the all-urban customers data set. Since 1990, the average annual rate of inflation has been 3.0 percent. Global Insight Company (formerly DRI-WEFA) estimates inflation during the next biennium at an average annual rate of 2.9 percent.



## Corporate Profits

The profitability of corporate America is an important factor in estimating the revenues from the corporate license tax. There is a significant relationship between the profits reported by US corporations and those taxed in Montana. Many of the large

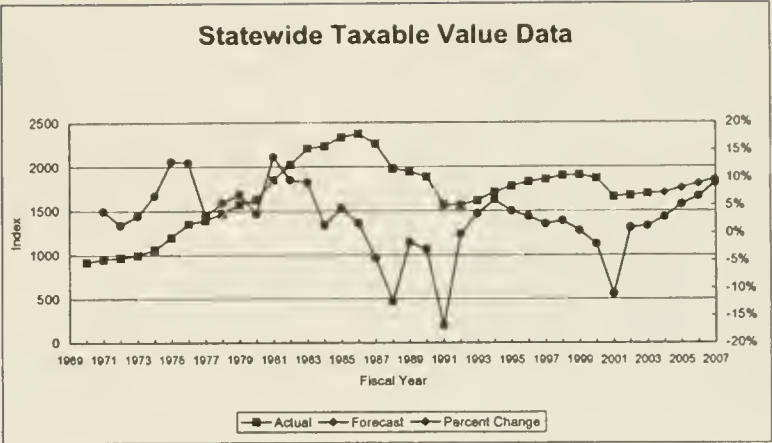


corporations operating in Montana are multi-state entities. During the most recent years, the reduction of corporate profits has translated to lower corporate license tax collections. According to Global Insight, between 1990 and 1997, US corporation pre-tax profits increased by an annual average of 9.8 percent. However, from 1998 through 2001, profits have decreased by an average of 3.9 percent, the greatest decrease of 7.7 percent occurring in 2001. The reduction in corporate profits is projected to continue through 2002, at which time the outlook of corporate profitability is expected begin a phase of slow improvement.

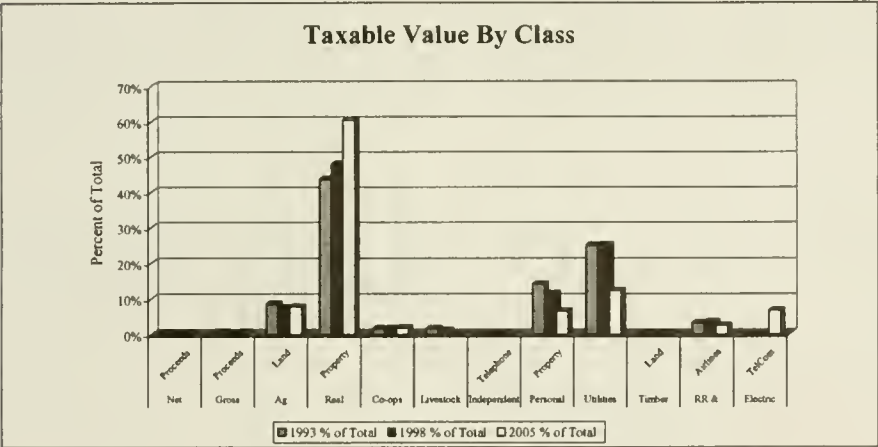


Property Values

Change in statewide property values is the critical assumption behind the estimates for property taxes. Historic property values are obtained from the Montana Department of Revenue. Total statewide taxable value increased slowly during the first part of the 1990's but fell in both fiscal 2000 and 2001. This decline was primarily due to changes in law by the 1999 legislature that led to reductions in tax rates on business equipment, electrical generating and telecommunications property, and the phased elimination of taxes on livestock. Estimates of total statewide taxable value for the 2005 biennium include the impacts of reappraisal on residential and commercial real estate, and agricultural land, although these are not reflected in the statewide taxable value chart. Estimates of the new reappraised values were presented to the legislature, which in response passed SB 461. SB 461 reduced tax rates for residential, commercial and agricultural land and raised the homestead and comstead exemptions for residential and commercial property. On a statewide basis, the new taxable values for the 2005 biennium are close to the values that would have been in force in the absence of reappraisal.



Taxable Value By Class

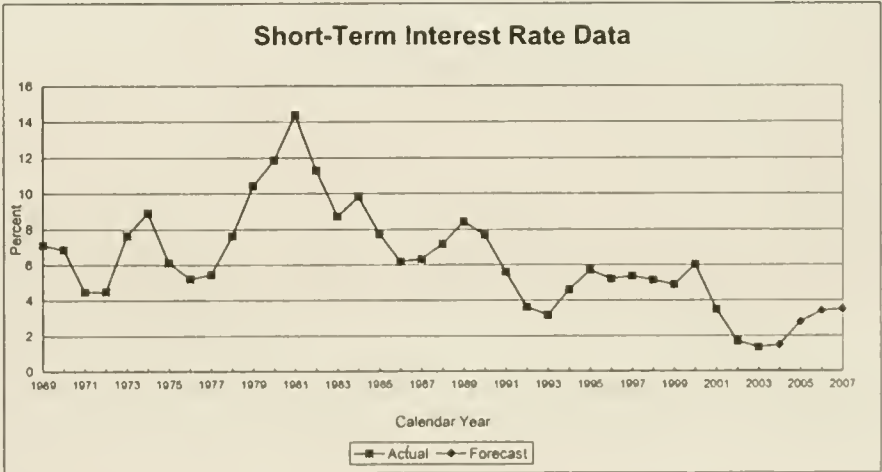


Significant changes have taken place in statewide property values since fiscal 1998. In that year, 48.0 percent of total statewide value was in class 4, residential and commercial property, and 11.5 percent of total value was in class 8, business equipment personal property. In fiscal 2003, the class 4 taxable value is expected to make up 58.4 percent of the total property tax base, while class 8 will be only 7.0 percent of the base.

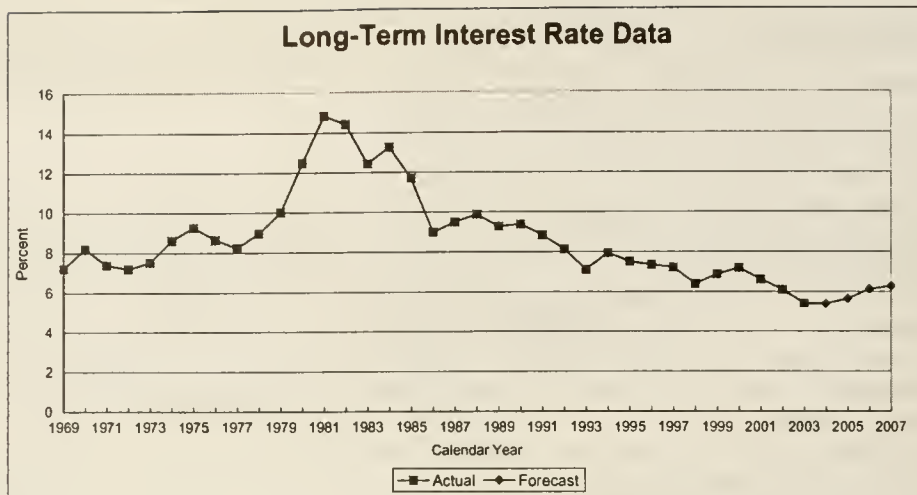
Interest Rates

A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. As such, interest rates are a significant assumption when estimating future state revenues.

In addition to the state revenue impact, interest rates are fundamental in understanding the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase. Two types of interest rates, long and short term, are estimated and used in determining future

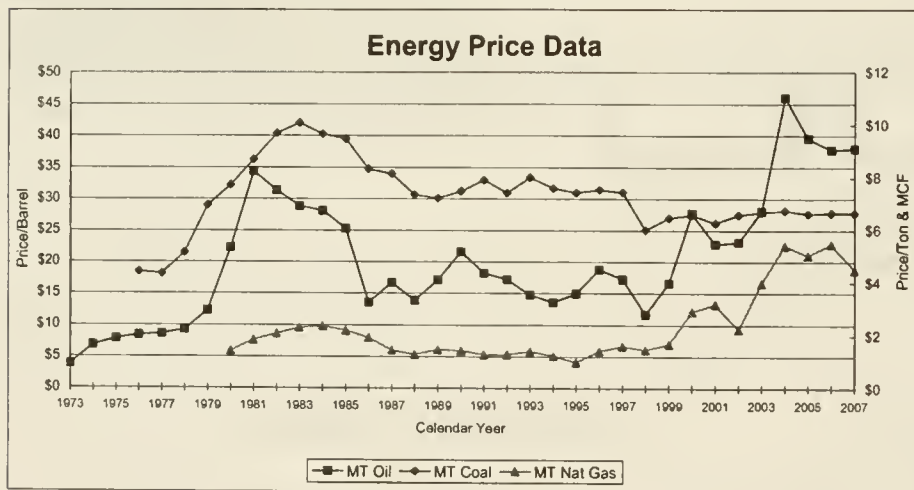


revenues. Both rates are an average across a selection of investment instruments. The forecasted rates are obtained from Global Insight. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year T bonds, and 30-year T bonds. Short-term rates are an average of 3 and 6-month Corporate paper and 3 and 6-month T bills. Long and short-term interest rates have been on the decline since January 2001, when the Federal Reserve began reducing the discount rate. Rates are expected to reverse and begin an upward trend during the forecast period.



## Energy Prices

Energy prices are very important to Montana's economy. Montana's rich bounty of energy land holdings plays an important part in the state's employment and economic stability. Additionally, the taxation of those commodities adds significant revenues to the state's coffers. Coal, oil, and natural gas production are each taxed on the value of production. Global Insight supplies information on coal, oil, and natural gas prices. Among the specific energy price indexes forecast by Global Insight are the *U.S. Refiner's Acquisition Price*, the *U.S. Minemouth Coal Price* and the *West Texas Oil Price*. This information plus conversations with industry experts is used to develop Montana's energy prices.



Since 1990, the price of Montana coal has decreased 16.3 percent, oil has increased by 5.8 percent, and natural gas has increased by 123.5 percent.

## Summary

A complete summary of each general fund and selected non-general fund revenue source follows. Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, and distribution mechanisms. A legislation impact table (if applicable) is shown summarizing all bills that impact the particular source of revenue.

It should be noted that the revenue projection table and graph are based on HJR2 estimates plus the impacts, if any, of enacted legislation. The corresponding revenue estimate assumption tables reflect only assumptions pertinent to the HJR2 revenue estimates and have not been updated for the impacts of enacted legislation.

# BUSINESS TAXES

Corporation Income Tax

Driver's License Fees

Estate Tax

Individual Income Tax

Insurance Tax & License Fees

Investment License Fees

Lodging Taxes

Motor Vehicle Fees

Public Contractors Tax

Railroad Car Tax

Rental Car Sales Tax

Telecommunications Excise Tax

Vehicle Tax







# Legislative Fiscal Division

## Revenue Estimate Profile Corporation Income Tax

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**Revenue Description:** The corporation income tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. Factors that affect corporation license tax receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all forecasts are adjusted for allowable credits.

**Applicable Tax Rate(s):** The tax rate is 6.75%, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0% tax on their net income.

**Distribution:** Prior to the enactment of SB 442 by the 2005 legislature, the Department of Revenue could distribute up to 0.45% of this general fund revenue source as an administrative assessment to a state special revenue account to pay debt service on the loan used to fund a POINTS replacement computer system (enacted in Senate Bill 271 by the 2003 legislature). SB 442 eliminated this provision (see the individual income tax section for a description of this legislation). Beginning fiscal 2006, all corporation tax revenue is distributed to the general fund.

### Summary of Legislative Action:

House Bill 2 – In certain cases, the amount of money appropriated may impact the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature may differ and, thus, may affect revenue. The legislature appropriated \$1,120,000 general fund for the biennium to the Department of Revenue to fund personal services and operating costs for 8.00 FTE (tax audit, support and legal staff). The money is to conduct compliance audits in areas where other states have found significant non-compliance with personal income tax and corporate income tax. These efforts are expected to recover additional general fund corporation income tax of \$540,000 in FY 2006 and \$1,160,000 in FY 2007.

House Bill 584 – This legislation creates two new credits that may be claimed against the individual income and corporation license taxes for businesses that make film and media productions in Montana, reducing the general fund corporation license tax collections by \$369,360 in the 2007 biennium. The revenue effects and details of the fiscal impacts on individual income tax revenue are shown in that revenue source section. The first credit, an employment production tax credit, is equal to 12 percent of the first \$50,000 or less of actual compensation paid to each Montana resident employed in connection with the state-certified production during the tax year. The second credit, a qualified expenditure credit, is equal to 8 percent of the total qualified expenditures incurred in connection with the state-certified production during the tax year. Both credits begin in the 2005 tax year. The credits terminate after January 1, 2010. The combined impact of both credits will be a general fund revenue reduction of \$184,680 in both fiscal years. To claim the credit, the taxpayer must submit paperwork to the Department of Revenue. For this reason, an application fee is charged of either \$500 for companies that compensate Montana residents less than or equal to \$30,000 in a tax year or a \$75 fee for each Montana resident employed when total compensation is greater than \$30,000. The fee revenue, estimated to be \$17,585 annually, is deposited in a state special revenue account. The legislation is effective on passage and approval and the tax credits apply to tax years beginning January 1, 2005.

House Bill 592 – The legislation revises the method used to determine penalty and interest on overdue income taxes, corporate taxes, withholding taxes, oil and natural gas taxes, and coal severance taxes. The revenue effects and details of the fiscal impacts on the other revenue sources are shown in the respective revenue source section. The table below summarizes the changes.



# Legislative Fiscal Division

## Revenue Estimate Profile

### Corporation Income Tax

HB 592 - Changes in Penalties and Interest Rates			
Penalty Provisions Apply to Individual Income, Corporate and Withholding Taxpayers, Oil and Gas Production Taxes and Coal Severance Taxes			
Type of Penalty/Interest	Previous Law Amount	SB 592 Amount	Effective Date
Late Pay Penalty Rate	1.5 % per month on unpaid balance not to exceed 18% of taxes due from time of notification	1.2% per month on unpaid balance not to exceed 12% of taxes due from time of tax due	January 1, 2007
Purposeful Late Pay Penalty	lesser of 25% of amount due or \$200	Not less than \$1,000 and not more than \$10,000	January 1, 2007
Interest - Individual Income Tax	12 % per Year	Rate is 8% or rate based on IRS Code 26 computed from due date but updated each 4th quarter, whichever is greater	January 1, 2007
Time Window in Which Penalty and Interest is Calculated	From the time of notice	From the time tax is due	July 1, 2005

General fund corporation tax revenue is expected to increase \$171,987 each year. The full impact of all provisions will not be realized until FY 2008 when an \$878,004 loss in all impacted general fund revenue sources will be realized.

House Bill 756 – The legislation creates two tax credits:

1. A tax credit is allowed against individual income tax or corporate license tax for investment in depreciable property in Montana to crush oilseed crops for purposes of biodiesel production. The amount of the credit is 15 percent of the cost of the property up to a total of \$500,000 for property investment in a facility. The credit must be taken in the year of purchase and must be claimed in the tax year the facility begins processing oilseed or manufacturing a product from oilseed. If the facility ceases operation within 5 years, the credit is subject to recapture. In order to qualify for this credit, the facility must be operating before January 1, 2010.
2. A tax credit is allowed against individual income tax or corporate license tax for the cost of constructing and equipping a facility in Montana to be used for biodiesel production. The taxpayer is entitled to claim a credit only for the year the facility begins production. The amount of the credit for investment in depreciable property is 15 percent of the cost of the facility or the cost of property installed in the facility. The taxpayer is not allowed to carry any part of the credit forward to succeeding years. If the facility ceases operation within 5 years, the credit is subject to recapture. In order to qualify for this credit, the facility must be operating before January 1, 2010.

HB 756 bill has no revenue impact in the 2007 biennium, but may in future years. In addition, HB 756 offers an incentive paid for with a statutory appropriation for biodiesel production. Incentives are payable to producers for increases in annual biodiesel production for the first three years. The incentive is 10 cents per gallon for all biodiesel produced the first year and 10 cents per gallon for increases in the second and third years. Incentives are available only on production for which the fuel tax has been paid. Incentives will be paid on a fiscal year basis to biodiesel producers.

House Bill 776 – In addition to reducing corporation license tax revenue in future biennia, this legislation also reduces future collections of individual income tax revenue by creating a credit for the investment in biodiesel storage and blending equipment. The revenue effects and details of these latter changes are shown in the individual income tax source section. HB 776 entitles qualifying taxpayers to a tax credit of 15 percent of the cost of equipment for investments in biodiesel storage and blending equipment to offset their corporate license tax liability. The maximum credit for special fuel distributors is \$52,500 in the first year of biodiesel blending. The maximum credit is \$7,500 for an owner or operator of a motor fuel outlet in the first year of biodiesel blending. The blended biodiesel product must be at least 2 percent biodiesel (B-100). This credit may be recaptured by the Department of Revenue for two reasons: 1) if sales of B-100 are not at least 2 percent of total diesel sales; and 2) if the taxpayer ceases operations within 5 years of claiming the credit. HB 776 has no revenue impact in the 2007 biennium, but may in future years. The credit applies retroactively to tax years beginning after December 31, 2004. The legislation is effective on passage and approval.

Senate Bill 213 – In addition to reducing corporation license tax revenue by \$77,758 in the 2007 biennium, individual income tax revenue is also reduced. The revenue effects and details of the latter are shown in the individual income tax source section. The legislation extends the termination date of the recycling credit and the recycling deduction. Both the tax credit for investment in collection and processing property and the tax deduction for the purchase of recyclable material would have terminated on December 31, 2005, but they now remain in effect until December 31, 2011. Under the previous law, the credit and deduction can be claimed through the 2005 tax year. Consequently, there is no general fund impact in FY 2006. The half-year's impact in FY 2007 reduces general fund revenue by \$77,758. The legislation is effective July 1, 2005.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Corporation Income Tax

Corporation Income Tax -- Legislation Passed by 59th Legislature  
Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0002 General appropriations act		540,000	1,160,000
HB0584 Promote growth of film and other media in Montana		(184,680)	(184,680)
HB0592 Standardize penalty and interest calculations for taxes		171,987	171,987
HB 756 Encourage production and use of biodiesel			
HB 776 Revise law on taxation of biodiesel and provide incentives			
SB0213 Revise recycling laws			(77,758)
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$527,307</u>	<u>\$1,069,549</u>

#### Statutory Reference:

Tax Rate (MCA) – 15-31-121,

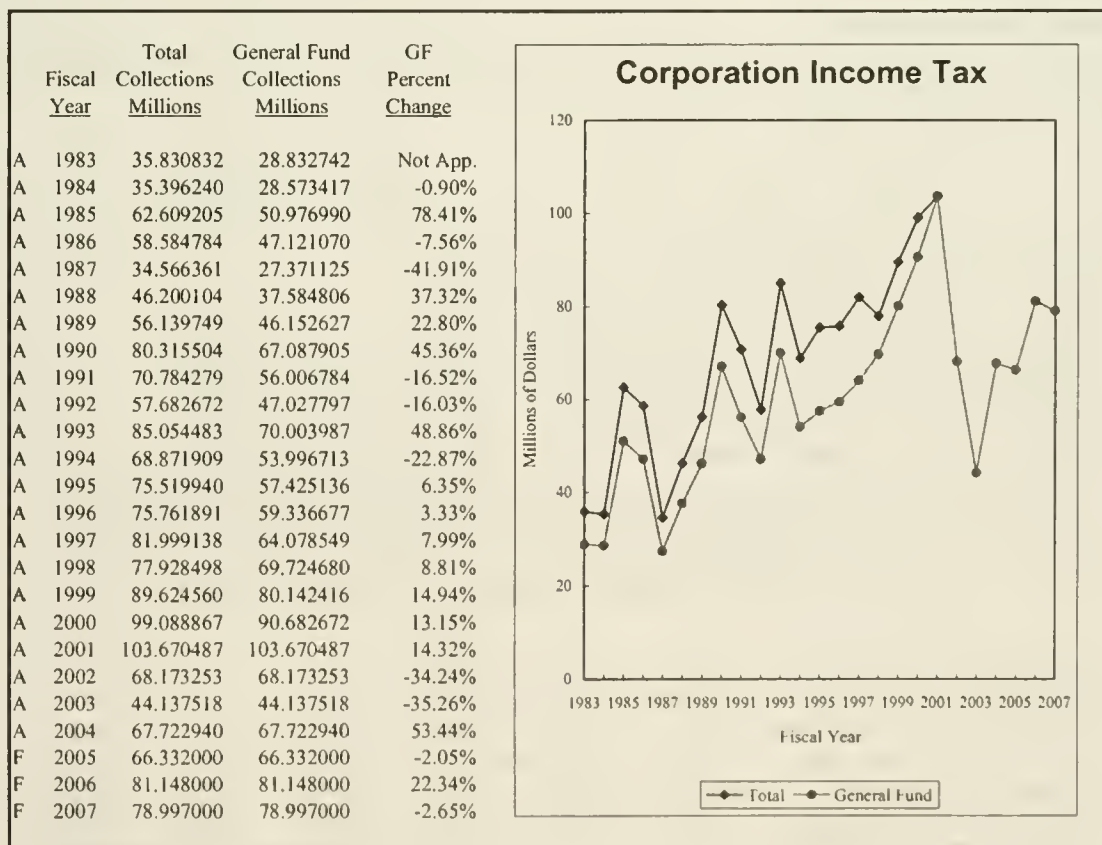
Tax Distribution (MCA) – 15-31-121, 15-1-501(1)

Date Due – by the 15<sup>th</sup> day of the fifth month following the close of the corporate fiscal year (15-31-111, 15-31-502).

Estimated taxes due April 15<sup>th</sup>, June 15<sup>th</sup>, September 15<sup>th</sup>, and December 15<sup>th</sup> (15-31-502).

**% of Total FY 2004 General Fund Revenue: 4.90%**

#### Revenue Projection:

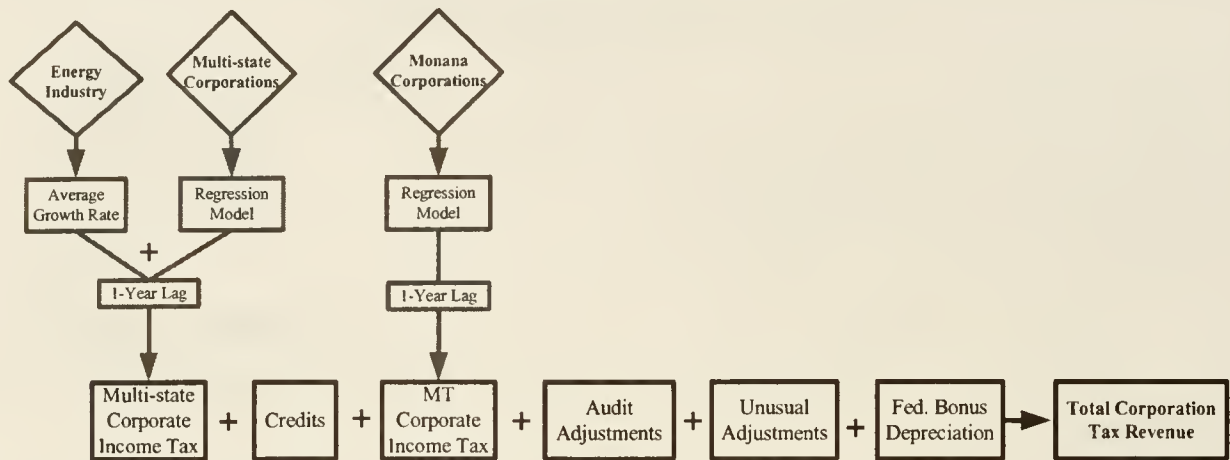


# Legislative Fiscal Division

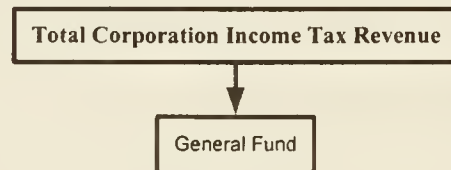
## Revenue Estimate Profile

### Corporation Income Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total	GF Tax	US Profits	Tax	Montana	Multi-State
	Fiscal	Millions	Millions	Billions	Rate	Corporations	Corporations
						Millions	Millions
Actual	2000	99.088867	90.682672	774.700000	0.067500		
Actual	2001	103.670487	103.670487	740.700000	0.067500		
Actual	2002	68.173253	68.173253	733.000000	0.067500		
Actual	2003	44.137518	44.137518	816.300000	0.067500	18.497919	33.957293
Actual	2004	67.722940	67.722940	933.400000	0.067500	17.908487	55.084427
Forecast	2005	66.332000	66.332000	1165.200000	0.067500	17.337837	58.490426
Forecast	2006	80.621000	80.621000	1348.500000	0.067500	16.785367	59.054412
Forecast	2007	77.927000	77.927000	1383.200000	0.067500	16.250501	58.081844

	t	Total	Total	P&I	Audit	Depreciation	Adjustments	Credits
	Fiscal	Millions	Financials	Millions	Millions	Millions	Millions	Millions
Actual	2000	99.088867	10.507744	0.661232	1.424267			
Actual	2001	103.670487	0.000000	0.000000	6.500000			
Actual	2002	68.173253	0.000000	1.658539	4.257364			
Actual	2003	44.137518	0.000000	2.701866	5.375895	-3.060419	-8.180807	-3.022063
Actual	2004	67.722940	0.000000	4.142745	10.031017	-8.721150	-13.194502	-3.022063
Forecast	2005	66.332000	0.000000	0.000000	3.000000	-1.074509	-8.400000	-3.022063
Forecast	2006	80.621000	0.000000	0.000000	3.500000	4.302966	0.000000	-3.022063
Forecast	2007	77.927000	0.000000	0.000000	4.000000	2.616528	0.000000	-3.022063



# Legislative Fiscal Division

## Revenue Estimate Profile

### Driver's License Fees

**Revenue Description:** A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays a fee. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, duplicate driver's licenses, and renewal notices. Between October 1, 1995 and October 1, 1999, one-half of the licenses issued for those between the ages of 21 and 67 are 4-year licenses and one-half are 8-year licenses. Drivers outside these age brackets are assigned driver's licenses with terms which depend on how many years the driver is less than 21 or less than 75 years old. Between October 1, 1999 and July 1, 2005, all licenses for those 21-67 years of age were valid for 8 years. With the enactment of House Bill 192 by the 2005 legislature, commercial licenses are valid for 5 years.

**Applicable Tax Rate(s):** Driver's license fees are:

- driver's license, except a commercial driver's license - \$5.00 per year or fraction of a year
- motorcycle endorsement - \$0.50 per year or fraction of a year
- commercial driver's licenses (includes the basic license fee of \$5.00):
  - interstate - \$10.00 per year or fraction of a year
  - intrastate - \$8.50 per year or fraction of a year
- duplicate license - \$10.00
- renewal notice - \$0.50

**Distribution:** The distribution of license fee revenue varies by the type of license and who collects the fee. The table below shows the current statutory distribution. Note: the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

#### Summary of Legislative Action:

House Bill 102 – Funding for the Montana highway patrol officers' retirement pension trust fund is revised. A general fund statutory appropriation is established to pay the state's contribution to the pension trust fund equal to 10.18 percent of total compensation paid to members. Previously, the following portions of driver's licenses had been earmarked for this purpose and a language appropriation provided in HB 2 to pay the money to the pension trust fund:

- 1) 22.3 percent of each driver's license fee; and
- 2) 25 percent of each duplicate driver's license fee.

In addition, HB 102 establishes a general fund statutory appropriation to pay supplemental benefits for certain retirees. Previously, the following portions motor vehicle registration fees had been deposited to the general fund and earmarked to be paid to the pension trust fund: 1) \$1.25 - motorcycle and quadricycle; 2) \$1.25 - trailer, pole trailer, and semitrailer; and 3) \$2.00 - light vehicles. In addition, money for supplemental benefits had also been deposited to the pension trust fund as a transfer of general fund revenue based on \$0.25 for each registered vehicle (with a few exceptions).

Due to an unintended consequence of coordination language between multiple bills affecting motor vehicle and driver license fees, revenue from the percentages of each driver's license fee earmarked for the pension trust fund were not de-earmarked to the general fund and will continue to be deposited to the state special revenue fund. Therefore, there is no fiscal impact to this revenue source. Estimated amounts are \$989,000 in FY 2006 and \$992,000 in FY 2007. The legislation is effective July 1, 2005.

House Bill 192 - The legislation changes the re-licensing period for commercial driver's licenses from eight years to five years and combines the annual fees for the commercial driver's license and basic driver's license into a single annual fee of \$10 for the interstate commercial license and \$8.50 for the intrastate commercial license. The amount of annual license fees each licensee pays does not change. However, because the total paid to reissue a commercial license for a five-year period is less than that for an eight-year period, commercial driver's license revenues will be less for five years after enactment of HB 192. Distribution of revenue to the general fund and various state special revenue accounts are adjusted so most of the reduction is to general fund revenue - \$38,595 in FY 2005, \$231,565 in FY 2006 and \$231,565 in FY 2007; and state special revenue is reduced by a few dollars. The licensing period change is effective on passage and approval. The fee and distribution changes are effective July 1, 2005.

**Distribution of Driver's License Fees**

Allocation	Driver's License	Replacement License	Motorcycle Endorsement	Commercial	
				Driver's License	Renewal Notice
Montana Highway Patrol	22.30%	25.00%	0.00%	18.25%	0.00%
County or State General Fund	2.50%	3.75%	3.34%	2.50%	0.00%
Motorcycle Safety Account	0.00%	0.00%	63.46%	0.00%	0.00%
Traffic Education Account	20.70%	8.75%	0.00%	16.94%	0.00%
State General Fund (remainder)	<u>54.50%</u>	<u>62.50%</u>	<u>33.20%</u>	<u>62.31%</u>	<u>100.00%</u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%

# Legislative Fiscal Division

## Revenue Estimate Profile

### Driver's License Fees

Senate Bill 1 – The legislation authorizes the Department of Justice to place on driver's licenses a living will indicator. It is expected that certain people will request a duplicate license before their driver's license needs to be renewed in order to activate this indicator. The increase in duplicate license fees is expected to increase general fund \$4,459 in FY 2006 and \$5,945 in FY 2007. State special revenue is expected to increase \$2,279 in FY 2006 and \$3,038 in FY 2007. The legislation is effective October 1, 2005.

#### Driver's License Fee -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

Bill Number and Short Title	Fiscal 2005	Fiscal 2006	Fiscal 2007
HB0102 Statutory appropriation for highway patrol officers' retirement	(38,595)	(231,565)	(231,565)
HB0192 Revise commercial driver's license, driver's license, and cmv laws		4,459	5,945
SB0001 Authorize living will indicator on driver's license			
<b>Total Estimated General Fund Impact</b>	<b>(\$38,595)</b>	<b>(\$227,106)</b>	<b>(\$225,620)</b>

#### Statutory Reference:

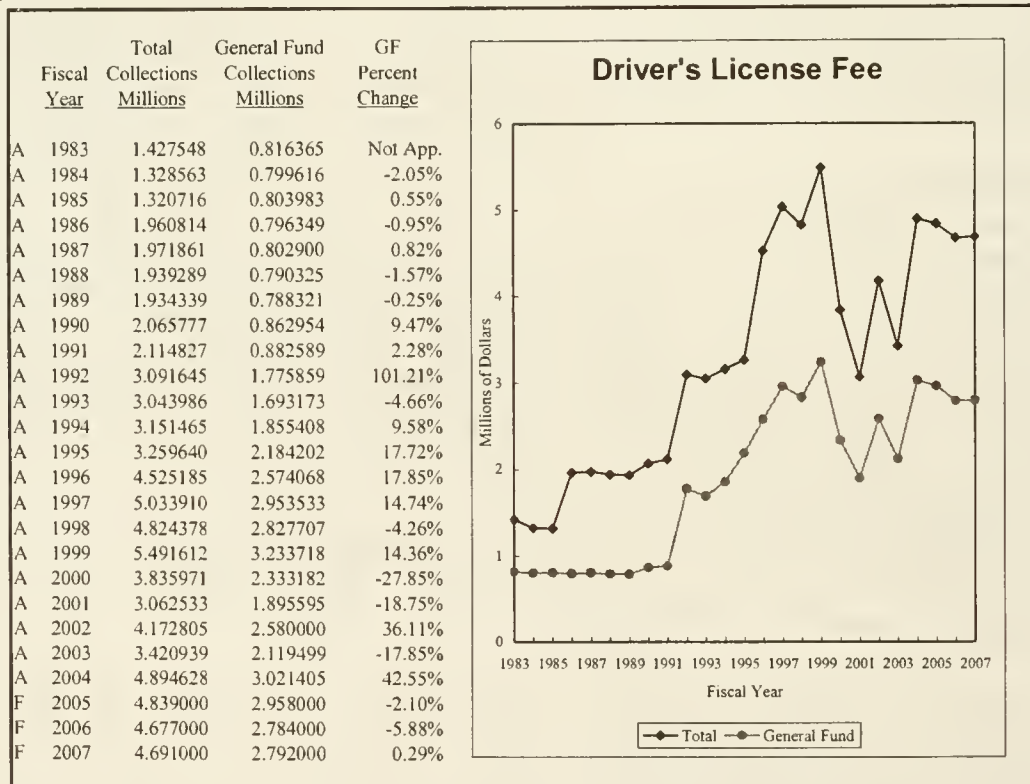
Tax Rates (MCA) – Duplicate license (61-5-114), all others (61-5-111(6))

Tax Distribution (MCA) – 61-5-121

Date Due – upon application

**% of Total FY 2004 General Fund Revenue: 0.22%**

#### Revenue Projection:



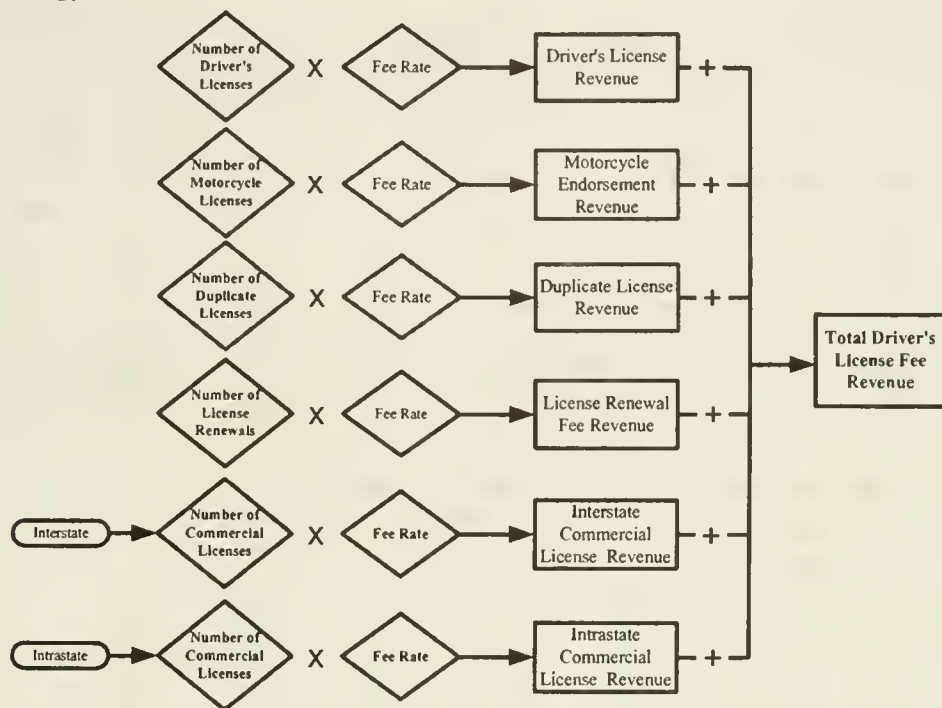


# Legislative Fiscal Division

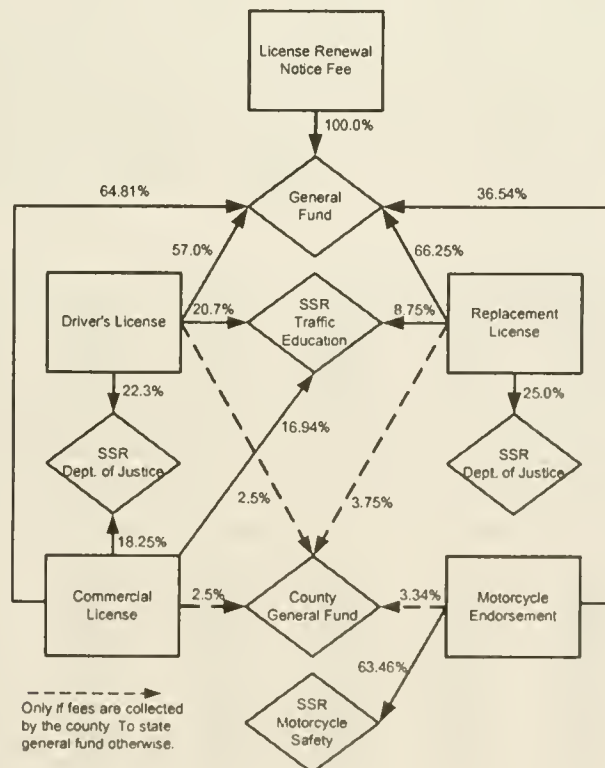
## Revenue Estimate Profile

### Driver's License Fees

#### Forecast Methodology



#### Distribution Methodology



# Legislative Fiscal Division

## Revenue Estimate Profile

### Driver's License Fees

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	
	Fiscal	Millions	Millions	Licenses	Duplicates	Cycle	Commercial	Renewal
				Millions	Millions	Millions	Millions	Millions
Actual	2000	3.835971	2.333182	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	3.062533	1.895595	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	4.172805	2.580000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	3.420939	2.119499	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	4.894628	3.021405	2.291490	0.185541	0.014382	0.420772	0.074051
Forecast	2005	4.878000	2.997000	2.300873	0.186303	0.014440	0.420772	0.074351
Forecast	2006	4.902000	3.011000	2.313360	0.187313	0.014518	0.420772	0.074753
Forecast	2007	4.914000	3.018000	2.319615	0.187821	0.014558	0.420772	0.074958

<u>License</u>	<u>t</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>
<u>Count</u>	<u>Fiscal</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Renewal</u>
<u>Millions</u>							
Actual	2000	0.110658	0.025272	0.010240	0.007801	0.002477	0.000000
Actual	2001	0.080396	0.024359	0.006932	0.006961	0.002210	0.000000
Actual	2002	0.108432	0.028832	0.010405	0.010579	0.003359	0.000000
Actual	2003	0.089124	0.034501	0.007652	0.008641	0.012344	0.000000
Actual	2004	0.101844	0.028490	0.010117	0.009812	0.001124	0.148101
Forecast	2005	0.102261	0.028607	0.010158	0.009812	0.001124	0.148701
Forecast	2006	0.102816	0.028762	0.010213	0.009812	0.001124	0.149506
Forecast	2007	0.103094	0.028840	0.010241	0.009812	0.001124	0.149916

<u>GF Fee</u>	<u>t</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>
<u>Rate in \$</u>	<u>Fiscal</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Renewal</u>
Actual	2000						
Actual	2001						
Actual	2002						
Actual	2003						
Actual	2004	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2005	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2006	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2007	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000

<u>Total Fee</u>	<u>t</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>
<u>Rate in \$</u>	<u>Fiscal</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Renewal</u>
Actual	2000	30.0000	5.0000	3.7500	37.5000	26.2500	0.0000
Actual	2001	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2002	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2003	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2004	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2005	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2006	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2007	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000

# Legislative Fiscal Division

## Revenue Estimate Profile

### Estate Tax

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**Revenue Description:** Due to passage of Legislative Referendum 116 by the electorate in November 2000, the state inheritance tax was repealed. The tax had been imposed on the transfer of any decedent's property, interest in property, or income from property within the state, to any other person or corporation except a surviving spouse, child or lineal descendant, stepchild, or governmental or charitable organization. Although the referendum was effective immediately, it applied to deaths occurring after December 31, 2000. Thus, inheritance tax revenue will continue to produce revenue during the 2003 biennium, but the amount of revenue will decrease each year. In addition to the inheritance tax, an estate tax is imposed on estates transferred to heirs at death. The Montana estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Congress passed the "Economic Growth and Tax Relief Reconciliation Act of 2001" which scheduled a step down approach to the repeal of the federal estate tax. Provisions of the act included the elimination of the state estate tax credit, the source of Montana's estate tax revenue. The estate credit of those who died in 2002, 2003, and 2004 are reduced by 25 percent per each year until 2005 when the credit will equal zero. Many years may pass before the time that estates are finally settled and the taxes of the estates are paid, and estate tax revenues are expected to become insignificant by the end of the decade. Federal estate tax laws will return to a pre-2002 level if Congress does not take further action to make the repeal of the tax permanent.

Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, changes in wealth, changes in the death rate of the population, accounting procedures, and the processing of several large estates.

**Applicable Tax Rate(s):** The estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

**Distribution:** All proceeds are deposited into the general fund.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

Tax Rate (MCA) – 72-16-905

Tax Distribution (MCA) – 72-16-912

Date Due – 18 months after death (72-16-909)

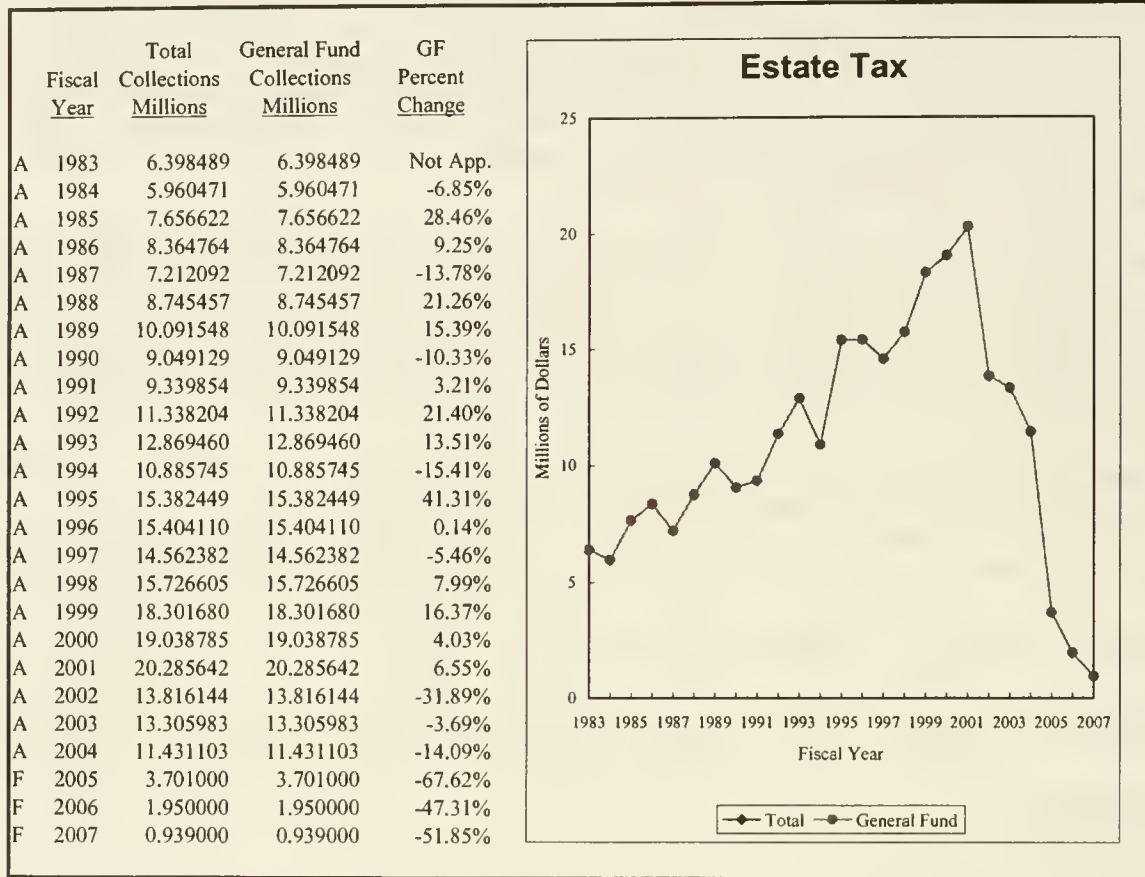
**% of Total FY 2004 General Fund Revenue:** 0.83%

# Legislative Fiscal Division

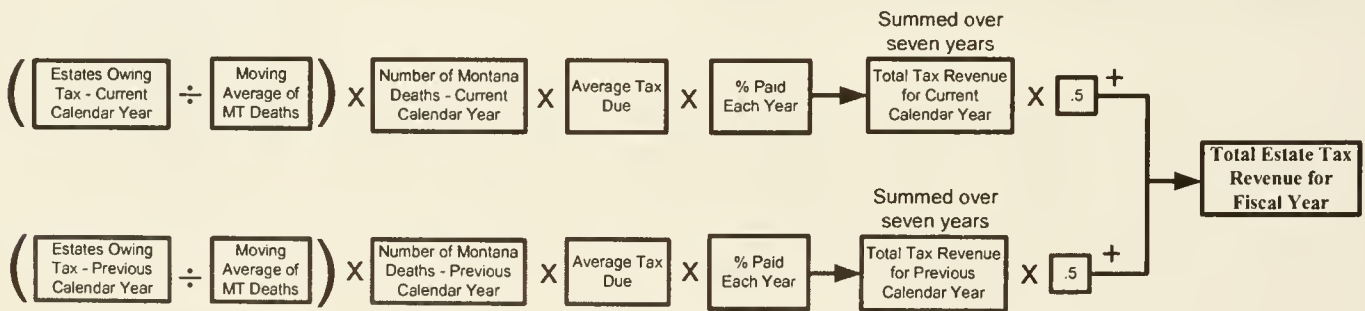
## Revenue Estimate Profile

### Estate Tax

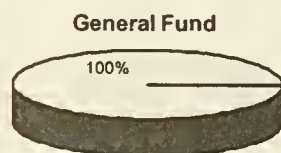
#### Revenue Projection:



#### Forecast Methodology



#### Distribution Methodology



# Legislative Fiscal Division

## Revenue Estimate Profile

### Estate Tax

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>1</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>
Actual	2000	19.038785	19.038785	0.040275
Actual	2001	20.285642	20.285642	0.065490
Actual	2002	13.816144	13.816144	-0.318920
Actual	2003	13.305983	13.305983	-0.036925
Actual	2004	11.431103	11.431103	-0.140905
Forecast	2005	3.701000	3.701000	-0.676247
Forecast	2006	1.950000	1.950000	-0.473205
Forecast	2007	0.939000	0.939000	-0.518495



# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

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**Revenue Description:** The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

**Applicable Tax Rate(s):** Tax rates vary from 1.0% to 6.9%, depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted by the rate of inflation in each year. SB 407, enacted by the 2003 legislature, created a new capital gains income tax credit. As a result the tax rate on capital gains income is less than the tax rate on ordinary income by 1 percent in tax years 2005 and 2006, and by 2 percent in tax year 2007 and beyond.

**Distribution:** Prior to the enactment of SB 442 by the 2005 legislature, beginning fiscal 2004 through fiscal 2011, the Department of Revenue could distribute up to 0.45% of this general fund revenue source as an administrative assessment to a state special revenue account to pay debt service on the loan used to fund a POINTS replacement computer system (enacted in Senate Bill 271 by the 2003 legislature). SB 442 eliminated this provision. All proceeds are deposited into the general fund.

#### Summary of Legislative Action:

House Bill 2 – In certain cases, the amount of money appropriated may impact the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature may differ and, thus, may affect revenue. The legislature appropriated \$1,120,000 general fund for the biennium to the Department of Revenue to fund personal services and operating costs for 8.00 FTE (tax audit, support and legal staff). The money is to conduct compliance audits in areas where other states have found significant non-compliance with personal income tax and corporate income tax. These efforts are expected to recover additional general fund individual income tax of \$540,000 in FY 2006 and \$1,160,000 in FY 2007.

House Bill 158 – Beginning January 1, 2005, the schedules by which employers remit taxes withheld from their employees change. Under previous law, an employer whose total liability for state income tax withholding during the preceding look back period was less than \$1,200 was required to remit on a quarterly schedule. The legislation allows, but does not require, these employers to remit on an annual schedule. The impact is a one-time revenue reduction as employers who would have remitted in FY 2005 will now remit in FY 2006. The general fund revenue reduction in FY 2005 is expected to be \$4,750,000. The legislation is effective on passage and approval and applies to wages paid after December 31, 2004.

House Bill 439 - Under previous law, Montana residents were allowed a tax credit against individual income taxes for taxes paid to other states or foreign countries. Under HB 439, Montana residents are not allowed to take a credit against state individual income taxes for taxes paid to foreign countries to the extent that a deduction or credit for the taxes imposed by the foreign country was claimed for federal income tax purposes. The bill applies to tax years beginning after December 31, 2005 and so impacts returns only in FY 2007. General fund income tax revenue is expected to increase \$339,000 in FY 2007 and each year thereafter.

House Bill 584 – This legislation creates two new credits that may be claimed against the individual income and corporation license taxes for businesses that make film and media productions in Montana, reducing the general fund corporation license tax collections by \$369,360 in the 2007 biennium. The revenue effects and details of the fiscal impacts on corporation income tax revenue are shown in that revenue source section. The first credit, an employment production tax credit, is equal to 12 percent of the first \$50,000 or less of actual compensation paid to each Montana resident employed in connection with the state-certified production during the tax year. The second credit, a qualified expenditure credit, is equal to 8 percent of the total qualified expenditures incurred in connection with the state-certified production during the tax year. Both credits begin in the 2005 tax year. The credits terminate after January 1, 2010. The combined impact of both credits will be a general fund revenue reduction of \$184,680 in both fiscal years. To claim the credit, the taxpayer must submit paperwork to the Department of Revenue. For this reason, an application fee is charged of either \$500 for companies that compensate Montana residents less than or equal to \$30,000 in a tax year or a \$75 fee for each Montana resident employed when total compensation is greater than \$30,000. The fee revenue, estimated to be \$17,585 annually, is deposited in a state special revenue account. The legislation is effective on passage and approval and the tax credits apply to tax years beginning January 1, 2005.

House Bill 592 – The legislation revises the method used to determine penalty and interest on overdue income taxes, corporate taxes, withholding taxes, oil and natural gas taxes, and coal severance taxes. The revenue effects and details of the fiscal impacts on the other revenue sources are shown in the respective revenue source section. The table summarizes the changes.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

HB 592 - Changes in Penalties and Interest Rates			
Penalty Provisions Apply to Individual Income, Corporate and Withholding Taxpayers, Oil and Gas Production Taxes and Coal Severance Taxes			
Type of Penalty/Interest	Previous Law Amount	SB 592 Amount	Effective Date
Late Pay Penalty Rate	1.5 % per month on unpaid balance not to exceed 18% of taxes due from time of notification	1.2% per month on unpaid balance not to exceed 12% of taxes due from time of tax due	January 1, 2007
Purposeful Late Pay Penalty	lesser of 25% of amount due or \$200	Not less than \$1,000 and not more than \$10,000	January 1, 2007
Interest - Individual Income Tax	12 % per Year	Rate is 8% or rate based on IRS Code 26 computed from due date but updated each 4th quarter, whichever is greater	January 1, 2007
Time Window in Which Penalty and Interest is Calculated	From the time of notice	From the time tax is due	July 1, 2005

General fund individual tax revenue is expected to increase \$369,673 in FY 2006 and decrease \$103,280 in FY 2007. The full impact of all provisions will not be realized until FY 2008 when an \$878,004 loss in all impacted general fund revenue sources will be realized.

House Bill 667 – The legislation provides for funding a new nonprofit entity known as the small business health insurance pool. The small business health insurance pool provides funding to cover all or part of the costs of group health insurance for eligible small businesses. Eligible small businesses earn tax credits against individual income or corporation license tax liabilities for the provision of health insurance for eligible employees. For those taxpayers and businesses that receive assistance in paying for group health insurance premiums through tax credits, the general fund is reimbursed for the loss of tax revenue by appropriations to the State Auditor's Office from the state special health and Medicaid initiatives account to fully offset the amount of tax credits claimed. The tax credits are refundable credits - taxpayers and eligible small businesses may receive a refund of any credit amount in excess of actual tax liability owed, or may receive a refund of the entire amount of the credit if no liability is owed. The refundable portion of tax credits constitutes taxable income in the year in which the refund is received. However, HB 667 amends adjusted gross income to provide that the refundable portion of any tax credit received is not included in income for state tax purposes (it is still included as income for federal income tax purposes). The legislation is expected to reduce general fund income tax revenue \$1,200,000 in FY 2006 and \$3,976,330 in FY 2007. These amounts are reimbursed to the general fund from the health and Medicaid initiatives state special revenue account (see the "all other" revenue section). There is no net effect on the general fund. The legislation is effective July 1, 2005 and applies to tax years beginning after December 31, 2005.

House Bill 756 – The legislation creates two tax credits:

1. A tax credit is allowed against individual income tax or corporate license tax for investment in depreciable property in Montana to crush oilseed crops for purposes of biodiesel production. The amount of the credit is 15 percent of the cost of the property up to a total of \$500,000 for property investment in a facility. The credit must be taken in the year of purchase and must be claimed in the tax year the facility begins processing oilseed or manufacturing a product from oilseed. If the facility ceases operation within 5 years, the credit is subject to recapture. In order to qualify for this credit, the facility must be operating before January 1, 2010.
2. A tax credit is allowed against individual income tax or corporate license tax for the cost of constructing and equipping a facility in Montana to be used for biodiesel production. The taxpayer is entitled to claim a credit only for the year the facility begins production. The amount of the credit for investment in depreciable property is 15 percent of the cost of the facility or the cost of property installed in the facility. The taxpayer is not allowed to carry any part of the credit forward to succeeding years. If the facility ceases operation within 5 years, the credit is subject to recapture. In order to qualify for this credit, the facility must be operating before January 1, 2010.

HB 756 bill has no revenue impact in the 2007 biennium, but may in future years. In addition, HB 756 offers an incentive paid for with a statutory appropriation for biodiesel production. Incentives are payable to producers for increases in annual biodiesel production for the first three years. The incentive is 10 cents per gallon for all biodiesel produced the first year and 10 cents per gallon for increases in the second and third years. Incentives are available only on production for which the fuel tax has been paid. Incentives will be paid on a fiscal year basis to biodiesel producers.

House Bill 776 – In addition to reducing individual income tax revenue in future biennia, this legislation also reduces future collections of corporation license tax revenue by creating a credit for the investment in biodiesel storage and blending equipment. The revenue



# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

effects and details of these latter changes are shown in the corporation license tax source section. HB 776 entitles qualifying taxpayers to a tax credit of 15 percent of the cost of equipment for investments in biodiesel storage and blending equipment to offset their individual income tax liability. The maximum credit for special fuel distributors is \$52,500 in the first year of biodiesel blending. The maximum credit is \$7,500 for an owner or operator of a motor fuel outlet in the first year of biodiesel blending. The blended biodiesel product must be at least 2 percent biodiesel (B-100). This credit may be recaptured by the Department of Revenue for two reasons: 1) if sales of B-100 are not at least 2 percent of total diesel sales; and 2) if the taxpayer ceases operations within 5 years of claiming the credit. HB 776 has no revenue impact in the 2007 biennium, but may in future years. The credit applies retroactively to tax years beginning after December 31, 2004. The legislation is effective on passage and approval

Senate Bill 213 – In addition to reducing individual income tax revenue by \$143,679 in the 2007 biennium, corporation license tax revenue is also reduced. The revenue effects and details of the latter are shown in the corporation income tax source section. The legislation extends the termination date of the recycling credit and the recycling deduction. Both the tax credit for investment in collection and processing property and the tax deduction for the purchase of recyclable material would have terminated on December 31, 2005, but they now remain in effect until December 31, 2011. Under the previous law, the credit and deduction can be claimed through the 2005 tax year. Consequently, there is no general fund impact in FY 2006. The half-year's impact in FY 2007 reduces general fund revenue by \$143,679. The legislation is effective July 1, 2005.

Senate Bill 340 – A credit of up to \$1,500 is allowed against income tax liability for the installation of geothermal heating systems in new residential construction. General fund revenue is reduced \$45,000 in FY 2007. The legislation is effective January 1, 2006 and applies to tax years beginning after December 31, 2005.

Senate Bill 442 – The legislation eliminates the provisions of SB 271 enacted by the 2003 legislature that authorized the Department of Revenue to borrow \$17.0 million from the Board of Investments to replace the POINTS computer system and to deduct an administrative fee from selected general fund revenue sources (to be determined by the department) to repay the loan. Under law prior to SB 442, the repayment amounts were deducted from individual income tax revenue and deposited in a state special revenue account. The legislation becomes effective only if another bill passes that provides for full repayment of the loan. HB 745 (the supplemental bill) passed containing an appropriation for this purpose. General fund revenue increases \$2,623,970 in FY 2006 and \$3,144,202 in FY 2007 and state special revenue decreases by like amounts. The legislation is effective July 1, 2005.

#### Individual Income Tax -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0002 General appropriations act		540,000	1,160,000
HB0158 Revise and clarify income tax withholding	(4,750,000)		
HB0439 Disallow double credit for foreign income tax payment			369,000
HB0584 Promote growth of film and other media in Montana		(184,680)	(184,680)
HB0592 Standardize penalty and interest calculations for taxes		369,673	(103,280)
HB0667 Purchasing pools, tax credit for health insurance		(1,200,000)	(3,976,330)
HB 756 Encourage production and use of biodiesel			
HB 776 Revise law on taxation of biodiesel and provide incentives			
SB0213 Revise recycling laws			(143,679)
SB0340 Builder allowed tax credit for residential geothermal systems			(45,000)
SB0442 Repeal POINTS replacement fee		2,623,970	3,144,202
Total Estimated General Fund Impact	<u>(\$4,750,000)</u>	<u>\$2,148,963</u>	<u>\$220,233</u>

# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

#### Statutory Reference:

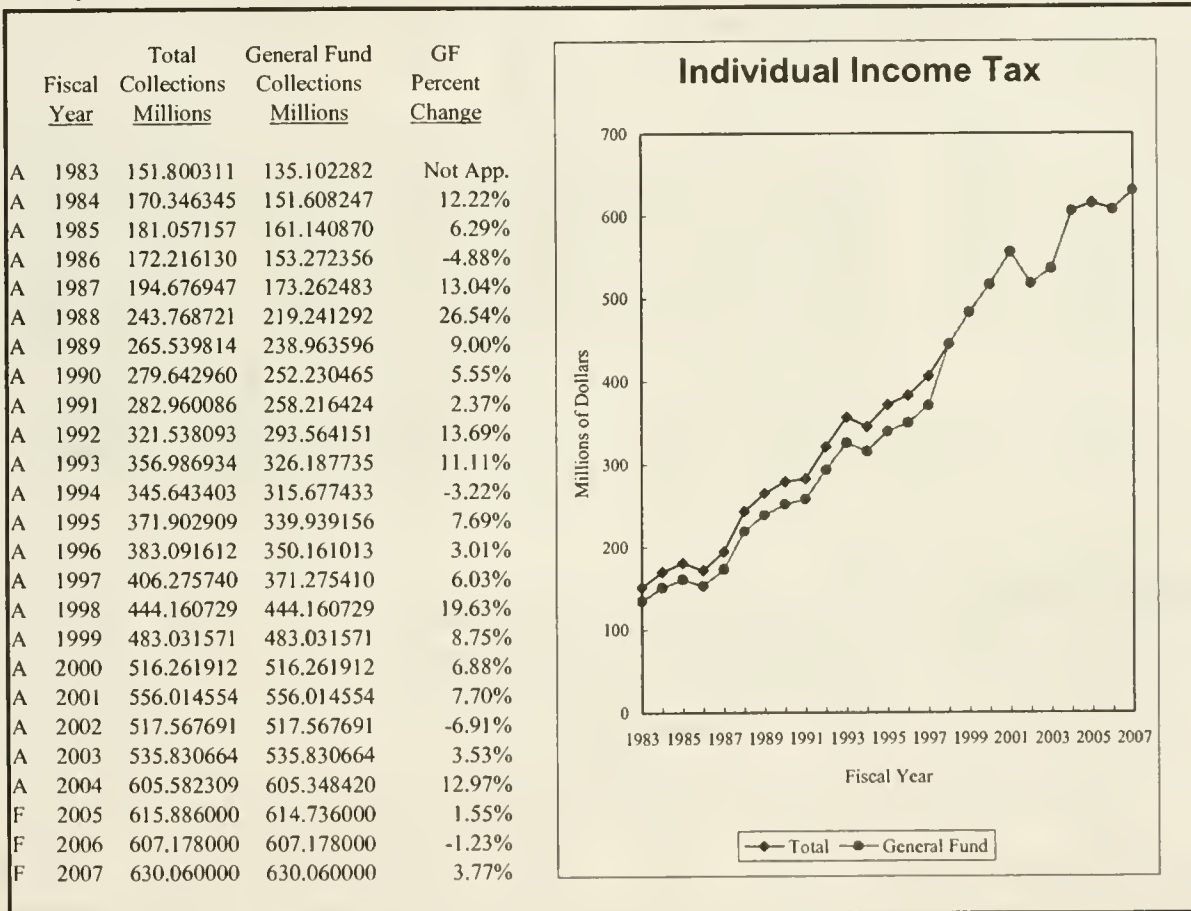
Tax Rate (MCA) – 15-30-103

Tax Distribution (MCA) – 15-1-501(1)

Date Due – 15<sup>th</sup> day of the fourth month of the filer's fiscal year (15-30-144). Withholding taxes due monthly, quarterly, or on an accelerated schedule depending on income (15-30-204). Estimated taxes due on the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> month and the month following the close of the tax year.

**% of Total FY 2004 General Fund Revenue: 43.82%**

#### Revenue Projection:

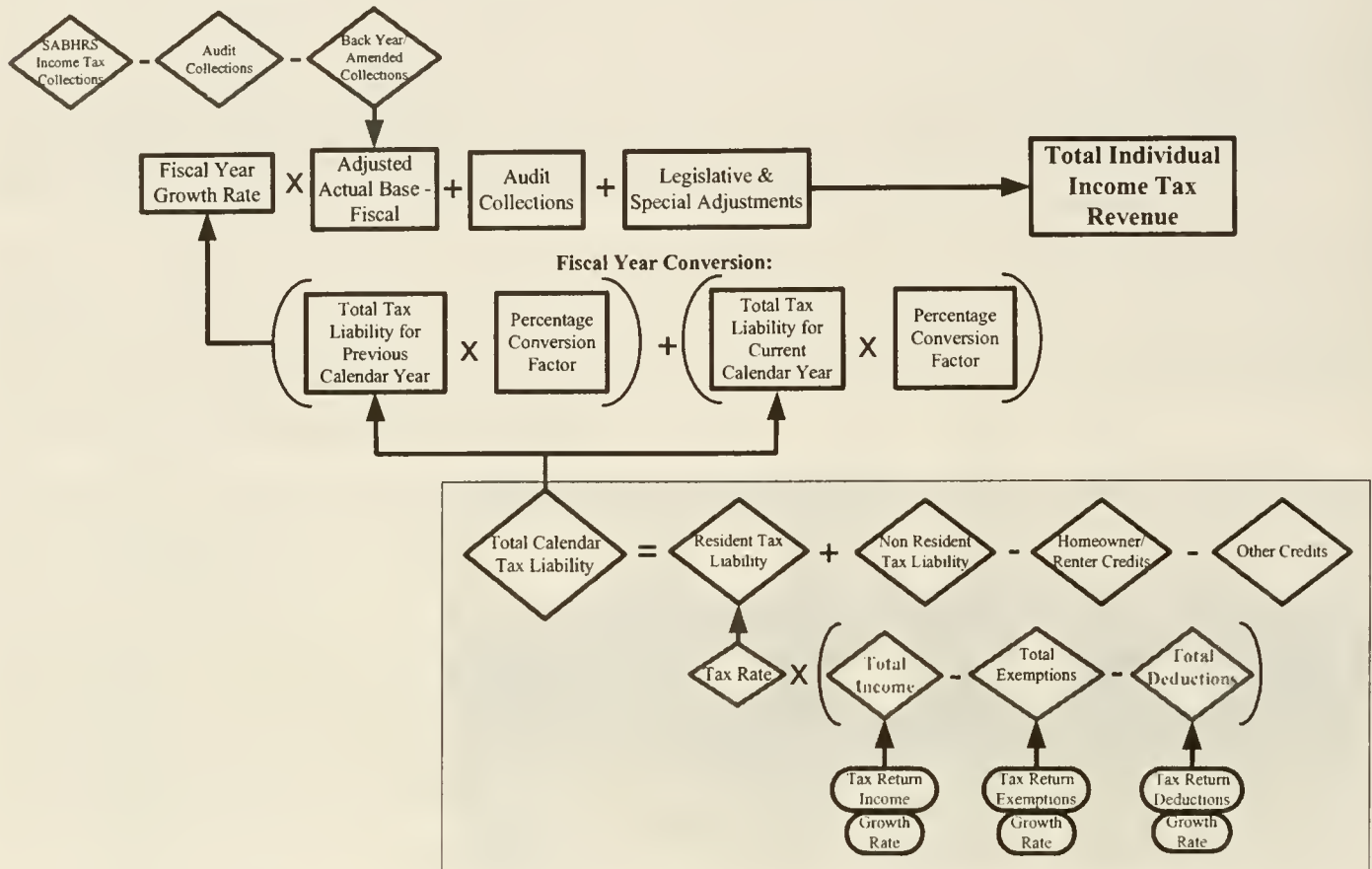


# Legislative Fiscal Division

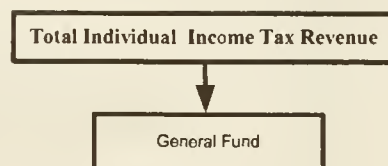
## Revenue Estimate Profile

### Individual Income Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

	t	Total Tax	GF Tax	Audits	30% Bonus	Total	Fed Refund	Legislation
	Fiscal	Millions	Millions	Millions	Millions	Liability	Tax Benefit	Percent
						Millions	Percent	Percent
Actual	2000	516.261912	516.261912	10.500000	0.000000	505.761912	0.000000	0.000000
Actual	2001	556.014554	556.014554	14.680000	-1.500000	547.014554	0.000000	0.000000
Actual	2002	517.567691	517.567691	21.812031	-3.000000	498.755660	0.000000	0.000000
Actual	2003	535.830664	535.830664	23.626679	-2.500000	514.703985	0.000000	0.000000
Actual	2004	605.582309	605.348420	29.922459	-1.750000	577.409850	0.000000	0.000000
Forecast	2005	589.788000	588.638000	25.501460	-0.537000	564.619108	0.000000	0.200000
Forecast	2006	607.653000	605.029000	26.161691	2.151000	579.140547	0.000000	0.200000
Forecast	2007	632.983721	629.840000	27.578188	1.308000	610.497533	-6.600000	0.200000

	t	Total Tax	GF Tax	Audits	30% bonus	Total Liability	DOR Loan	
	Fiscal	Annual	Annual	Annual	Annual	Annual	Payment	Annual
		Change	Change	Change	Change	Change	Millions	Growth
Actual	2000						0.000000	
Actual	2001	7.7001%	7.7001%	39.8095%		8.1565%	0.000000	NA
Actual	2002	-6.9147%	-6.9147%	48.5833%	100.0000%	-8.8222%	0.000000	NA
Actual	2003	3.5286%	3.5286%	8.3195%	-16.6667%	3.1976%	0.000000	NA
Actual	2004	13.0175%	12.9738%	26.6469%	-30.0000%	12.1829%	0.233889	NA
Forecast	2005	-2.6081%	-2.7605%	-14.7749%	-69.3143%	-2.2152%	1.150199	391.7713%
Forecast	2006	3.0291%	2.7846%	2.5890%	-500.5587%	2.5719%	2.623970	128.1318%
Forecast	2007	4.1686%	4.1008%	5.4144%	-39.1911%	5.4144%	3.144202	19.8261%

	t	Resident	Population	Homeowner	All Other	All Filers	All Filers	Taxable
	Cal.	Liability	Adjustment	Credit	Credits	Multiplier	Liability	Income
		Millions	Percent	Millions	Millions	Percent	Millions	Millions
Actual	2000	518.279456		8.374710	21.404549	1.071158	525.379927	8,226.369886
Actual	2001	490.801668	1.000000	9.544352	24.151016	1.066141	489.568413	8,087.111270
Actual	2002	494.216195	1.000000	11.049173	19.408774	1.061617	494.210367	8,074.343167
Actual	2003	538.246242	1.000000	11.579533	21.838995	1.066718	540.738427	8,623.646928
Forecast	2004	559.304740	1.010000	12.135351	21.963743	1.069650	570.143824	8,952.510323
Forecast	2005	548.867058	1.020100	12.717848	22.842293	1.070000	563.532095	10,243.612962
Forecast	2006	575.874329	1.030300	13.328304	23.755985	1.070000	597.771665	10,596.975858
Forecast	2007	597.477557	1.040800	13.968063	24.706224	1.070000	626.710179	11,066.477366

	t	Resident	Population	Homeowner	All Other	All Filers	All Filers	Taxable
	Cal.	Liability	Adjustment	Credit	Credits	Multiplier	Liability	Income
		Percent	Percent	Percent	Percent	Percent	Percent	Percent
Actual	2000							
Actual	2001	-5.3017%		13.9664%	12.8312%	-0.4684%	-6.8163%	-1.692832%
Actual	2002	0.6957%	0.0000%	15.7666%	-19.6358%	-0.4243%	0.9482%	-0.157882%
Actual	2003	8.9091%	0.0000%	4.8000%	12.5212%	0.4805%	9.4146%	6.803077%
Forecast	2004	3.9124%	1.0000%	4.8000%	0.5712%	0.2749%	5.4380%	3.813507%
Forecast	2005	-1.8662%	1.0000%	4.8000%	4.0000%	0.0327%	-1.1597%	14.421683%
Forecast	2006	4.9205%	0.9999%	4.8000%	4.0000%	0.0000%	6.0759%	3.449592%
Forecast	2007	3.7514%	1.0191%	4.8000%	4.0000%	0.0000%	4.8411%	4.430524%

# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

	<u>t</u>	<u>Wages</u>	<u>Annual</u>	<u>Interest</u>	<u>Annual</u>	<u>Dividends</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	8,569.388406		652.743511		374.794193	
Actual	2001	9,013.441387	5.1819%	662.616830	1.5126%	302.464371	-19.2985%
Actual	2002	9,265.904285	2.8010%	528.958537	-20.1713%	264.875326	-12.4276%
Actual	2003	9,649.686526	4.1419%	453.025235	-14.3552%	297.422847	12.2879%
Forecast	2004	10,199.718658	5.7000%	459.714945	1.4767%	332.986590	11.9573%
Forecast	2005	10,648.506279	4.4000%	466.013416	1.3701%	337.703104	1.4164%
Forecast	2006	11,127.689061	4.5000%	470.821298	1.0317%	359.278943	6.3890%
Forecast	2007	11,628.435069	4.5000%	491.393401	4.3694%	382.065088	6.3422%

	<u>t</u>	<u>Business</u>	<u>Annual</u>	<u>Capital</u>	<u>Supplemental</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Income</u>	<u>Growth</u>	<u>Gains</u>	<u>Gains</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>	<u>Millions</u>	
Actual	2000	606.597200		1,259.719705	46.175253	
Actual	2001	617.942632	1.8703%	785.759218	42.906157	-7.0798%
Actual	2002	620.571881	0.4255%	637.443506	32.565301	-24.1011%
Actual	2003	629.701263	1.4711%	790.912922	55.546743	70.5703%
Forecast	2004	685.650249	8.8850%	790.912922	55.546743	0.0000%
Forecast	2005	733.769659	7.0181%	805.790039	56.591580	1.8810%
Forecast	2006	774.691985	5.5770%	837.356977	58.808564	3.9175%
Forecast	2007	820.483496	5.9109%	879.048314	61.736595	4.9789%

	<u>t</u>	<u>Rents, Royalties</u>	<u>Annual</u>	<u>Farm Income</u>	<u>Annual</u>	<u>Social</u>	<u>Annual</u>
	<u>Cal.</u>	<u>S-Corps</u>	<u>Growth</u>	<u>Gains</u>	<u>Growth</u>	<u>Security</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	2000	894.050325		-77.472732		255.296811	
Actual	2001	907.393972	1.4925%	-112.632772	45.3838%	257.153132	0.7271%
Actual	2002	1,014.593070	11.8140%	-157.524702	39.8569%	254.248840	-1.1294%
Actual	2003	1,019.724460	0.5058%	-146.211074	-7.1821%	267.287155	5.1282%
Forecast	2004	1,123.657328	10.1923%	-146.211074	0.0000%	280.276008	4.8595%
Forecast	2005	1,225.865032	9.0960%	-146.211074	0.0000%	292.523208	4.3697%
Forecast	2006	1,320.074152	7.6851%	-146.211074	0.0000%	315.958898	8.0116%
Forecast	2007	1,417.444170	7.3761%	-146.211074	0.0000%	336.094757	6.3729%

	<u>t</u>	<u>IRA</u>	<u>Annual</u>	<u>Pension</u>	<u>Annual</u>	<u>Other</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Income</u>	<u>Growth</u>	<u>Income</u>	<u>Growth</u>	<u>Income</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	2000	267.961035		938.299938		-32.693707	
Actual	2001	264.672173	-1.2274%	969.018087	3.2738%	-22.436200	-31.3746%
Actual	2002	231.216869	-12.6403%	1,019.171838	5.1757%	-5.377242	-76.0332%
Actual	2003	237.257497	2.6125%	1,070.481555	5.0345%	-47.935941	791.4596%
Forecast	2004	248.787055	4.8595%	1,122.501740	4.8595%	-47.935941	0.0000%
Forecast	2005	259.658284	4.3697%	1,171.551616	4.3697%	-47.935941	0.0000%
Forecast	2006	280.460979	8.0116%	1,265.411248	8.0116%	-47.935941	0.0000%
Forecast	2007	298.334579	6.3729%	1,346.055100	6.3729%	-47.935941	0.0000%

# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

	<u>t</u>	Total Income	Annual	IRA Deductions	Annual	Fed Adjusted Gross Income	Annual
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	13,754.859938		202.442859		13,552.417079	
Actual	2001	13,688.298987	-0.4839%	205.024224	1.2751%	13,483.274763	-0.5102%
Actual	2002	13,454.034218	-1.7114%	252.613291	23.2114%	13,895.124986	3.0545%
Actual	2003	13,984.658291	3.9440%	292.240897	15.6871%	14,464.390379	4.0969%
Forecast	2004	14,809.048878	5.8950%	296.556345	1.4767%	15,303.910823	5.8040%
Forecast	2005	15,503.205792	4.6874%	300.619410	1.3701%	16,013.776292	4.6385%
Forecast	2006	16,312.684176	5.2214%	303.720914	1.0317%	16,839.461536	5.1561%
Forecast	2007	17,149.951835	5.1326%	316.991719	4.3694%	17,695.176972	5.0816%

	<u>t</u>	Bond Interest	Annual	FIT Refunds	Annual	Other Additions	Annual
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	42.518667		184.885555		145.637746	
Actual	2001	44.552431	4.7832%	203.809786	10.2356%	146.694821	0.7258%
Actual	2002	43.230217	-2.9678%	247.312164	21.3446%	150.548387	2.6269%
Actual	2003	44.962241	4.0065%	256.907579	3.8799%	177.862268	18.1429%
Forecast	2004	45.626187	1.4767%	269.239143	4.8000%	179.996615	1.2000%
Forecast	2005	46.251303	1.3701%	282.162622	4.8000%	182.156575	1.2000%
Forecast	2006	46.728480	1.0317%	295.706427	4.8000%	184.342453	1.2000%
Forecast	2007	48.770238	4.3694%	309.900336	4.8000%	186.554563	1.2000%

	<u>t</u>	Farm Risk Mgmt Excl.	Annual	Int. Exc. Elderly	Annual	Savings Bond	Annual
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	0.000000		46.732843		98.577472	
Actual	2001	0.000000	NA	46.773697	0.0874%	85.952848	-12.8068%
Actual	2002	0.061948	NA	43.310418	-7.4043%	59.642270	-30.6105%
Actual	2003	0.872912	1309.1044%	40.099155	-7.4145%	47.157089	-20.9334%
Forecast	2004	1.745824	100.0000%	40.691289	1.4767%	47.853446	1.4767%
Forecast	2005	1.745824	0.0000%	41.248793	1.3701%	48.509077	1.3701%
Forecast	2006	1.745824	0.0000%	41.674359	1.0317%	49.009548	1.0317%
Forecast	2007	1.745824	0.0000%	43.495282	4.3694%	51.150975	4.3694%

	<u>t</u>	Exempt Retirement	Annual	Unemployment	Annual	Med. Savings	Annual
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	156.465588		50.685840		6.777035	
Actual	2001	161.621214	3.2951%	59.504425	17.3985%	8.242749	21.6277%
Actual	2002	166.435046	2.9785%	78.266420	31.5304%	9.937218	20.5571%
Actual	2003	168.680258	1.3490%	85.701639	9.4999%	11.398465	14.7048%
Forecast	2004	170.323005	0.9739%	88.318869	3.0539%	12.858268	12.8070%
Forecast	2005	171.981751	0.9739%	91.016027	3.0539%	14.324915	11.4063%
Forecast	2006	173.656651	0.9739%	93.795553	3.0539%	15.780139	10.1587%
Forecast	2007	175.347862	0.9739%	96.659962	3.0539%	17.207860	9.0476%



# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

	t	Family	Annual	First Time	Annual	Doctor Student	Annual
	Cal.	Education	Growth	Home	Growth	Loan Excl.	Growth
		Millions		Millions		Millions	
Actual	2000	2.118416		0.739084		0.000000	
Actual	2001	3.415825	61.2443%	0.912566	23.4726%	0.000000	NA
Actual	2002	5.479782	60.4234%	0.928656	1.7632%	0.000000	NA
Actual	2003	6.583685	20.1450%	1.067385	14.9387%	0.381209	NA
Forecast	2004	7.680966	16.6667%	1.216819	14.0000%	0.438390	14.9999%
Forecast	2005	8.778247	14.2857%	1.366253	12.2807%	0.499765	14.0001%
Forecast	2006	9.875528	12.5000%	1.513433	10.7725%	0.559737	12.0000%
Forecast	2007	10.972808	11.1111%	1.656446	9.4496%	0.615710	9.9999%

	t	Other	Annual	Additions to	Additions	Reductions to	Reductions
	Cal.	Reductions	Growth	Income	Annual	Income	Annual
		Millions		Millions	Growth	Millions	Growth
Actual	2000	442.097368		373.041968		806.947225	
Actual	2001	470.668689	6.4627%	395.057038	5.9015%	838.884217	3.9578%
Actual	2002	496.250650	5.4352%	441.090768	11.6524%	860.312408	2.5544%
Actual	2003	530.169050	6.8349%	479.732088	8.7604%	892.110847	3.6962%
Forecast	2004	567.280884	7.0000%	494.861945	3.1538%	938.407760	5.1896%
Forecast	2005	606.990545	7.0000%	510.570500	3.1743%	986.461197	5.1207%
Forecast	2006	649.479884	7.0000%	526.777360	3.1743%	1,037.090656	5.1324%
Forecast	2007	694.943475	7.0000%	545.225137	3.5020%	1,093.796204	5.4678%

	t	MT Adjusted	MAGI	Medical	Annual	Medical	Annual
	Cal.	Gross Income	Annual	Premiums	Growth	Deductions	Growth
		Millions	Growth	Millions		Millions	
Actual	2000	13,118.511822		200.002957		184.849463	
Actual	2001	13,039.447584	-0.6027%	217.940463	8.9686%	203.239099	9.9484%
Actual	2002	13,034.812578	-0.0355%	239.493910	9.8896%	222.983052	9.7146%
Actual	2003	13,572.279532	4.1233%	237.737082	-0.7336%	236.626833	6.1188%
Forecast	2004	14,365.503063	5.8444%	254.769938	7.1646%	253.580144	7.1646%
Forecast	2005	15,027.315095	4.6070%	274.734493	7.8363%	273.451463	7.8363%
Forecast	2006	15,802.370880	5.1576%	295.033022	7.3884%	293.655197	7.3884%
Forecast	2007	16,601.380768	5.0563%	313.022285	6.0974%	311.560449	6.0974%

	t	Long Term	Annual	Federal Income	Annual	Non-current Yr	Annual
	Cal.	Care	Growth	Tax Deducted	Growth	Fed Deduct	Growth
		Millions		Millions		Millions	
Actual	2000	13.502837		1,518.673839		221.424540	
Actual	2001	14.061406	4.1367%	1,558.108639	2.5967%	233.916512	5.6416%
Actual	2002	15.887210	3.9700%	1,462.980639	-6.1054%	181.536187	-22.3927%
Actual	2003	17.295360	3.8200%	1,437.610873	-1.7341%	175.241904	-3.4672%
Forecast	2004	18.534499	3.6800%	1,559.682795	8.4913%	182.440652	4.1079%
Forecast	2005	19.986920	3.6800%	580.663101	-62.7704%	189.938630	4.1098%
Forecast	2006	21.463637	3.6800%	607.966068	4.7020%	197.748464	4.1118%
Forecast	2007	22.772355	3.6800%	617.206238	1.5198%	205.883325	4.1137%



# Legislative Fiscal Division

## Revenue Estimate Profile

### Individual Income Tax

	<u>t</u>	<u>Real</u>	<u>Annual</u>	<u>Vehicle</u>	<u>Vehicle</u>	<u>Home</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Estate</u>	<u>Growth</u>	<u>Taxes</u>	<u>Annual</u>	<u>Mortgage</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	
Actual	2000	239.539241		43.249518		674.783486	
Actual	2001	248.404235	3.7009%	35.414255	-18.1164%	722.240324	7.0329%
Actual	2002	274.873159	10.6556%	39.533367	11.6312%	752.226098	4.1518%
Actual	2003	291.351060	5.9947%	40.720924	3.0039%	744.358655	-1.0459%
Forecast	2004	303.494456	4.1680%	41.942552	3.0000%	776.310321	4.2925%
Forecast	2005	316.143983	4.1680%	43.200828	3.0000%	816.314942	5.1532%
Forecast	2006	329.320738	4.1680%	44.496853	3.0000%	854.015349	4.6184%
Forecast	2007	343.046695	4.1680%	45.831759	3.0000%	892.577957	4.5154%

	<u>t</u>	<u>Deductible</u>	<u>Annual</u>	<u>Contributions</u>	<u>Annual</u>	<u>Child</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Interest</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Care</u>	<u>Growth</u>
		<u>Millions</u>				<u>Millions</u>	
Actual	2000	39.843897		275.164610		1.618924	
Actual	2001	36.076803	-9.4546%	294.840519	7.1506%	1.776837	9.7542%
Actual	2002	27.933231	-22.5729%	345.228308	17.0898%	1.667803	-6.1364%
Actual	2003	24.518357	-12.2251%	337.410601	-2.2645%	1.704198	2.1822%
Forecast	2004	24.880413	1.4767%	355.630773	5.4000%	1.736578	1.9000%
Forecast	2005	25.221295	1.3701%	374.834835	5.4000%	1.769573	1.9000%
Forecast	2006	25.481505	1.0317%	395.075916	5.4000%	1.803195	1.9000%
Forecast	2007	26.594896	4.3694%	416.410016	5.4000%	1.837455	1.9000%

	<u>t</u>	<u>Casualty</u>	<u>Annual</u>	<u>Expense 1</u>	<u>Annual</u>	<u>Expense 2</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	7.212024		129.241069		3.770804	
Actual	2001	3.158568	-56.2041%	140.956776	9.0650%	3.760967	-0.2609%
Actual	2002	4.464106	41.3332%	146.328492	3.8109%	4.266845	13.4507%
Actual	2003	4.105444	-8.0344%	146.982049	0.4466%	7.147014	67.5011%
Forecast	2004	4.320569	5.2400%	160.041411	8.8850%	7.147014	0.0000%
Forecast	2005	4.546967	5.2400%	171.273228	7.0181%	7.147014	0.0000%
Forecast	2006	4.785228	5.2400%	180.825134	5.5770%	7.147014	0.0000%
Forecast	2007	5.035974	5.2400%	191.513584	5.9109%	7.147014	0.0000%

	<u>t</u>	<u>Gambling</u>	<u>Annual</u>	<u>Itemized</u>	<u>Annual</u>	<u>Exemptions</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Losses</u>	<u>Growth</u>	<u>Deductions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>			
Actual	2000	5.692095		4,036.333109		1,444.028900	
Actual	2001	4.839289	-14.9823%	4,136.668940	2.4858%	1,488.611840	3.0874%
Actual	2002	4.846199	0.1428%	3,724.248606	-9.9699%	1,518.609340	2.0151%
Actual	2003	4.674101	-3.5512%	3,678.689093	-1.2233%	1,559.655580	2.7029%
Forecast	2004	4.674101	0.0000%	3,882.889019	5.5509%	1,612.228240	3.3708%
Forecast	2005	4.674101	0.0000%	3,015.587242	-22.3365%	1,664.800900	3.2609%
Forecast	2006	4.674101	0.0000%	3,166.136611	4.9924%	1,698.776429	2.0408%
Forecast	2007	4.674101	0.0000%	3,278.917250	3.5621%	1,732.751958	2.0000%

# Legislative Fiscal Division

## Revenue Estimate Profile

### Insurance Tax & License Fees

**Revenue Description:** The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance fees and licenses are also collected.

**Applicable Tax Rate(s):** The current tax rate is 2.75% of net premiums (including cancellation and return premiums) on policies sold in Montana. In addition to this tax, there is a 2.5 % tax on the fire portion of net premiums for selected risks. For each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay \$1.00 to the State Insurance Commissioner from October 1, 2005 through June 30, 2007. After that time, the fee is \$0.70. This fee is deposited to the state special revenue fund and used to fund the statewide genetics program established in statute (50-19-211, MCA). Senate Bill 132 (passed by the 1999 legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of \$1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities. The following lists various insurance related fees.

Insurance Fees Collected by the State Auditor				
	Fee	Amount	MCA Cite	ARM Cite
<b><u>General Fund</u></b>				
Farm mutual insurer filing of articles of incorporation		10.00	33-4-202	
Farm mutual county insurer certificate of authority		10.00	33-4-505	
Farm mutual state insurer certificate of authority		25.00	33-4-505	
Fraternal benefit society report filing		25.00	33-7-118	
Fraternal benefit society certificate of authority renewal		10.00	33-7-217	
Fraternal benefit society lapsed certificate of authority reinstatement		25.00	33-7-217	
<b><u>State Auditor's Office</u></b>				
Domestic and foreign insurer accreditation		275.00	33-1-313	6.6.4101
Insurance producers charges and expenses for examinations		Variable	33-1-413	
Reinstatement of certificate of authority		100.00	33-2-117	
Certificate of authority		1,900.00	33-2-708	
Non-resident application for original license		100.00	33-2-708	
Non-resident biennial license renewal		50.00	33-2-708	
Non-resident lapsed license reinstatement		100.00	33-2-708	
Resident lapsed insurance producer's license reinstatement		100.00	33-2-708	
Surplus lines insurance producer license application		50.00	33-2-708	
Surplus lines insurance producer license biennial renewal		100.00	33-2-708	
Surplus lines insurance lapsed producer license reinstatement		200.00	33-2-708	
Insurance adjuster license application		50.00	33-2-708	
Insurance adjuster license biennial renewal		100.00	33-2-708	
Insurance adjuster lapsed license reinstatement		200.00	33-2-708	
Insurance consultant license application		50.00	33-2-708	
Insurance consultant license biennial renewal		100.00	33-2-708	
Insurance consultant lapsed license reinstatement		200.00	33-2-708	
Rental car entity producer license application		100.00	33-2-708	
Rental car entity producer quarterly filing		25.00	33-2-708	
A copy of each document page		0.50	33-2-708	

# Legislative Fiscal Division

## Revenue Estimate Profile

### Insurance Tax & License Fees

Insurance Fees Collected by the State Auditor (continued)				
Fee	Amount	MCA Cite	ARM Cite	
Review of each course or program submitted for continuing education	75.00	33-2-708		
Genetics program fee for each MT resident insured	1.00	33-2-712		
Surplus lines stamping fee	1% of base premium	33-2-321		6.6.2804
Charges and expenses for examinations	Variable	33-4-315		
Fraternal benefit society charges and expenses for examinations	Variable	33-7-119		
Fraternal benefit society service of process	2.00	33-7-123		
Guaranty associations charges and expenses for examinations	Variable	33-10-218		
Premium finance company license application	100.00	33-14-201		
Premium finance company license renewal	100.00	33-14-201		
Rating & advisory organization charges and expenses for examinations	Variable	33-16-106		
Rating & advisory organization license application	100.00	33-16-403		
Insurance producers background examination	Variable	33-17-201		
Insurance producers charges and examinations	Variable	33-17-212		
Review of each non-resident course submitted for continuing education	75.00	33-17-1206		6.6.4213
Viatical settlement provider registration application	1,900.00	33-20-1315		6.6.8502
Viatical settlement broker license	50.00	33-20-1315		6.6.8502
Viatical settlement provider license renewal	1,900.00	33-20-1315		6.6.8503
Captive insurance company license application	200.00	33-28-102		
Captive insurance company license renewal	300.00	33-28-102		
Captive insurance company examinations and investigations	Variable	33-28-108		
Health service corporation certified copies	0.50	33-30-204		
Health service corporation membership contract filing	25.00	33-30-204		
Health service corporation membership contract package filing	100.00	33-30-204		
Health service corporation filing statement	25.00	33-30-204		
Health service corporation license	300.00	33-30-204		
Health service corporation license renewal	300.00	33-30-204		
Health maintenance organization certification of authority	300.00	33-31-212		
Health maintenance organization amendment to documents	25.00	33-31-212		
Health maintenance organization statement filing	25.00	33-31-212		
Health maintenance organization certification of authority renewal	300.00	33-31-212		
Health maintenance organization charges & examinations	Variable	33-31-401		
Actual cost to review an application for a managed care community network	Variable	53-6-703		6.6.5805

**Distribution:** Insurance tax proceeds from the tax on surplus lines premiums, net premiums, captive insurance company premiums, and fire insurance premiums are deposited into the general fund along with genetic fee revenue. License fees and the 1% stamping fee on surplus lines insurance premiums are deposited into the state special revenue fund for use by the State Auditor.

### Summary of Legislative Action:

Senate Bill 275 – The legislation changes the name of the voluntary genetics program administered by the Department of Public Health and Human Services to the statewide genetics program. For each Montana resident insured under any disability or health insurance policy, the fee paid by the insurer is increased from \$0.70 to \$1.00, but only from October 1, 2005 through June 30, 2007. After that time, the fee is \$0.70. The legislation earmarks the fee revenue that was previously deposited to the general fund to a state special revenue fund for a general fund loss of \$582,856 each year of the 2007 biennium and an increase in state special revenue of \$832,794 each year of the biennium. The legislation is effective October 1, 2005.

Insurance Tax & License Fees -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
Bill Number and Short Title	Fiscal 2005	Fiscal 2006	Fiscal 2007
SB0275 Revising voluntary genetics program; increasing program fees		(582,956)	(582,956)
Total Estimated General Fund Impact	\$0	(\$582,956)	(\$582,956)



# Legislative Fiscal Division

## Revenue Estimate Profile

### Insurance Tax & License Fees

#### Statutory Reference:

Tax Rate (MCA) – 33-2-705(2), 33-2-311, 33-28-201(1&2), 50-3-109(1)

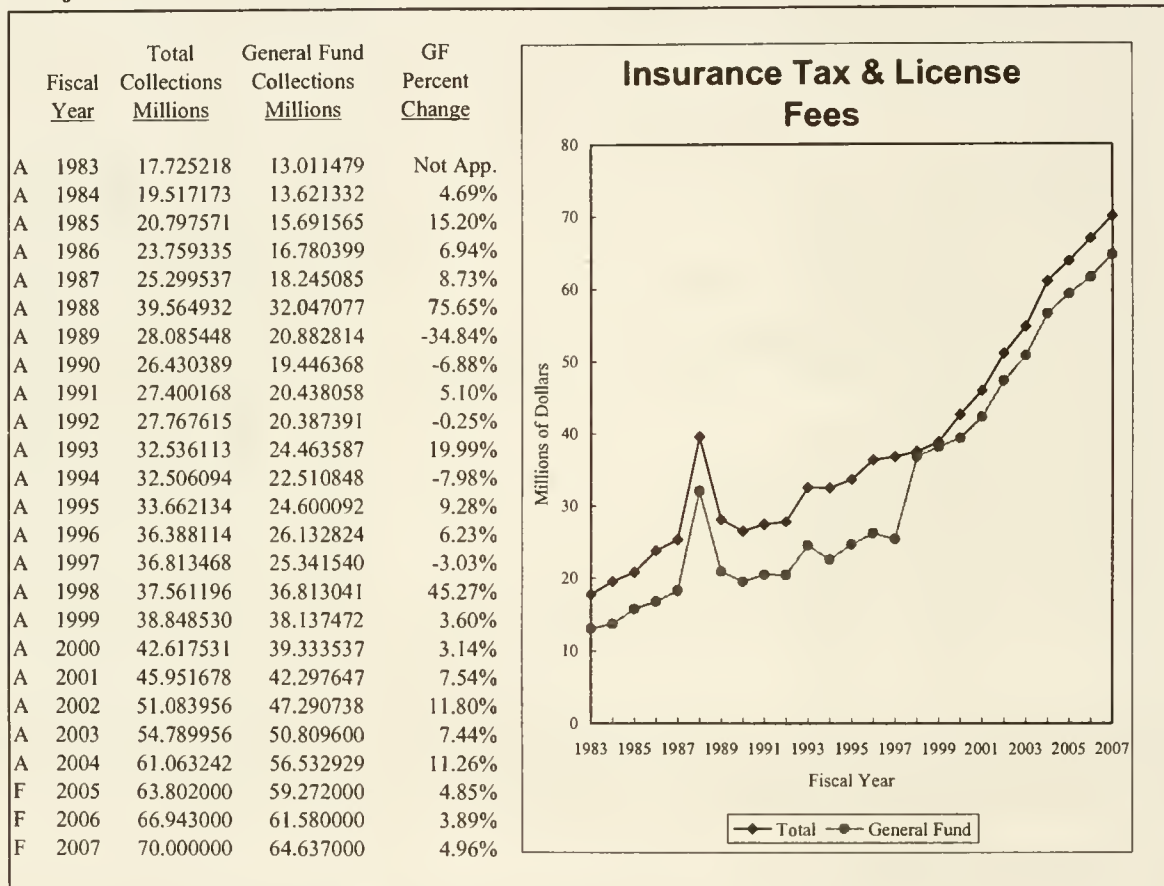
Fee Rate (MCA) – 33-2-708(1&2), 33-14-201(2), 33-2-712

Tax Distribution (MCA) – 33-2-708(3), 33-2-712, 50-3-109(1)

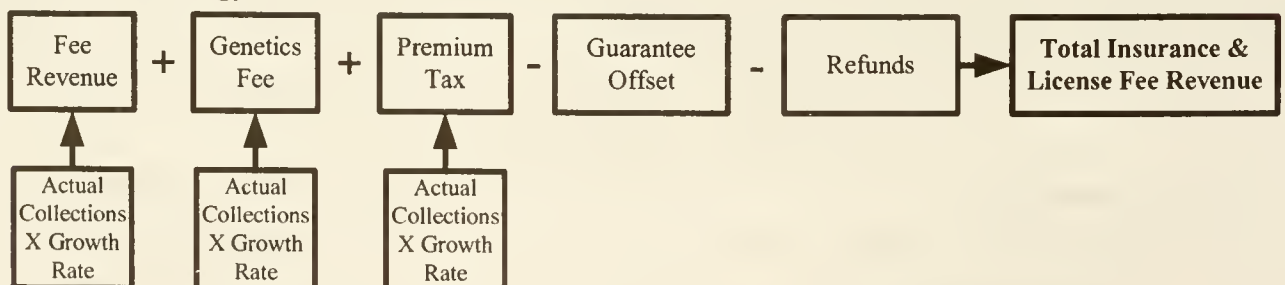
Date Due – March 1<sup>st</sup> each year (33-2-705(1), 33-2-712, 33-28-201(1&2)). Quarterly payments due the 15<sup>th</sup> of April, June, September, and December (Administrative Rules 6.6.2704, 6.6.2705)

**% of Total FY 2004 General Fund Revenue: 4.11%**

#### Revenue Projection:



#### Forecast Methodology





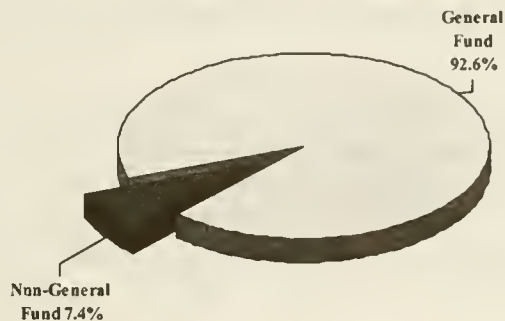
# Legislative Fiscal Division

## Revenue Estimate Profile

### Insurance Tax & License Fees

#### Distribution Methodology

Based on Actual Fiscal 2004



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Non-GF Fees</u>	<u>GF Fees</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	42.617531	39.333537	3.283994	1.028229
Actual	2001	45.951678	42.297647	3.654031	0.444540
Actual	2002	51.083956	47.290738	3.793218	0.290736
Actual	2003	54.789956	50.809600	3.980356	0.378097
Actual	2004	61.063242	56.532929	4.530313	0.623010
Forecast	2005	63.802000	59.272000	4.530313	0.623010
Forecast	2006	66.693000	62.163000	4.530313	0.623010
Forecast	2007	69.750000	65.220000	4.530313	0.623010

	<u>t</u>	<u>Genetics</u>	<u>Premium Tax</u>	<u>Offsets</u>	<u>Refunds</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.542398	40.121480	2.082935	1.881369
Actual	2001	0.634902	42.405287	0.861069	0.326014
Actual	2002	0.569711	47.682854	0.740006	0.512557
Actual	2003	0.563399	52.037866	1.463016	0.706745
Actual	2004	0.582956	56.775107	1.161437	0.286707
Forecast	2005	0.582956	59.593289	1.127916	0.400000
Forecast	2006	0.582956	62.551297	1.120412	0.475000
Forecast	2007	0.582956	65.656196	1.168182	0.475000

# Legislative Fiscal Division

## Revenue Estimate Profile

### Investment License Fee

**Revenue Description:** Investment advisors and investment companies pay various fees to the state. These fees are for: 1) registration of securities and agents; 2) registration of securities by notification; 3) notice of a federal filing of a federally secured security; and 4) name changes.

**Applicable Tax Rate(s):** Initial and annual security registration fees vary based on the offering price of securities, but cannot be less than \$200 or more than \$1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are \$200. Initial and annual registration fees for a salesperson or investment adviser are \$50. The fee for name changes to series, portfolio, or a subdivision of an investment company is \$50. More details on the fees are provided below.

Security Fees Collected by the State Auditor				
	Fee	Amount	MCA Cite	ARM Cite
<u>General Fund</u>				
Certified or uncertified copies		0.50	30-10-107	
Initial registration for the first \$100,000 issue		200	30-10-209	
Additional registration fee of 0.1% over \$100,000 max of \$1,000		1,000	30-10-209	
Registration renewal fee of 0.1%, min of \$200 & max of \$1,000		1,000	30-10-209	
Late amended registration 0.3%, min of \$600 & max of \$3,000		3,000	30-10-209	
Name change of series, portfolio or other subdivision of an issuer		50	30-10-209	
Registration for broker-dealer or investment adviser		200	30-10-209	
Registration renewal for broker-dealer or investment adviser		200	30-10-209	
Initial registration for salesperson or investment adviser representative		50	30-10-209	
Registration renewal for salesperson or investment adviser representative		50	30-10-209	
Transfer of registration for salesperson or investment adviser representative		50	30-10-209	
Initial registration for federal covered adviser		200	30-10-209	
Registration renewal for federal covered adviser		200	30-10-209	
Certified or uncertified copies		Variable	30-10-209	
Request for exemption for transaction in compliance with rules-first \$100,000		200	30-10-209	6.10.120
Request for exemption for transaction in compliance with rules-0.1% over \$100,000, \$1,000 max		1,000	30-10-209	6.10.120
Request for exemption for other transactions		50	30-10-209	
Living trusts initial license application for the first \$100,000 issue		200	30-10-904	
Living trusts additional license application fee of 0.1% over \$100,000 max of \$1,000		1,000	30-10-904	
Living trusts license renewal fee of 0.1%, min of \$200 & max of \$1,000		1,000	30-10-904	
<u>State Auditor's Office</u>				
Collected examination costs		Various	30-10-115	
Portfolio notice filing - Initial registration for the first \$100,000 issue		200	30-10-209	
Portfolio notice filing - Additional registration fee of 0.1% over \$100,000 max of \$1,000		1,000	30-10-209	
Portfolio notice filing - Registration renewal fee of 0.1%, min of \$200 & max of \$1,000		1,000	30-10-209	
Portfolio notice filing - Late amended registration 0.3%, min of \$600 & max of \$3,000		3,000	30-10-209	

**Distribution:** All fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination charges are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer and is shown under the "All Other" revenue category.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

Fee Rate (MCA) – 30-10-209, 30-10-904

Fee Distribution (MCA) – excess to general fund (30-10-115), 30-10-209(6), portfolio notice fee (30-10-209(1d)), 30-10-210(2), 30-10-907

Date Due (Regulation of dealers) – initial (upon registration), annual (prior to December 31<sup>st</sup>) (30-10-201 (9&11)

Date Due (Regulation of securities) – upon registration (30-10-206(3c), valid for one year (30-10-209(1b)), renewal (prior to termination date):

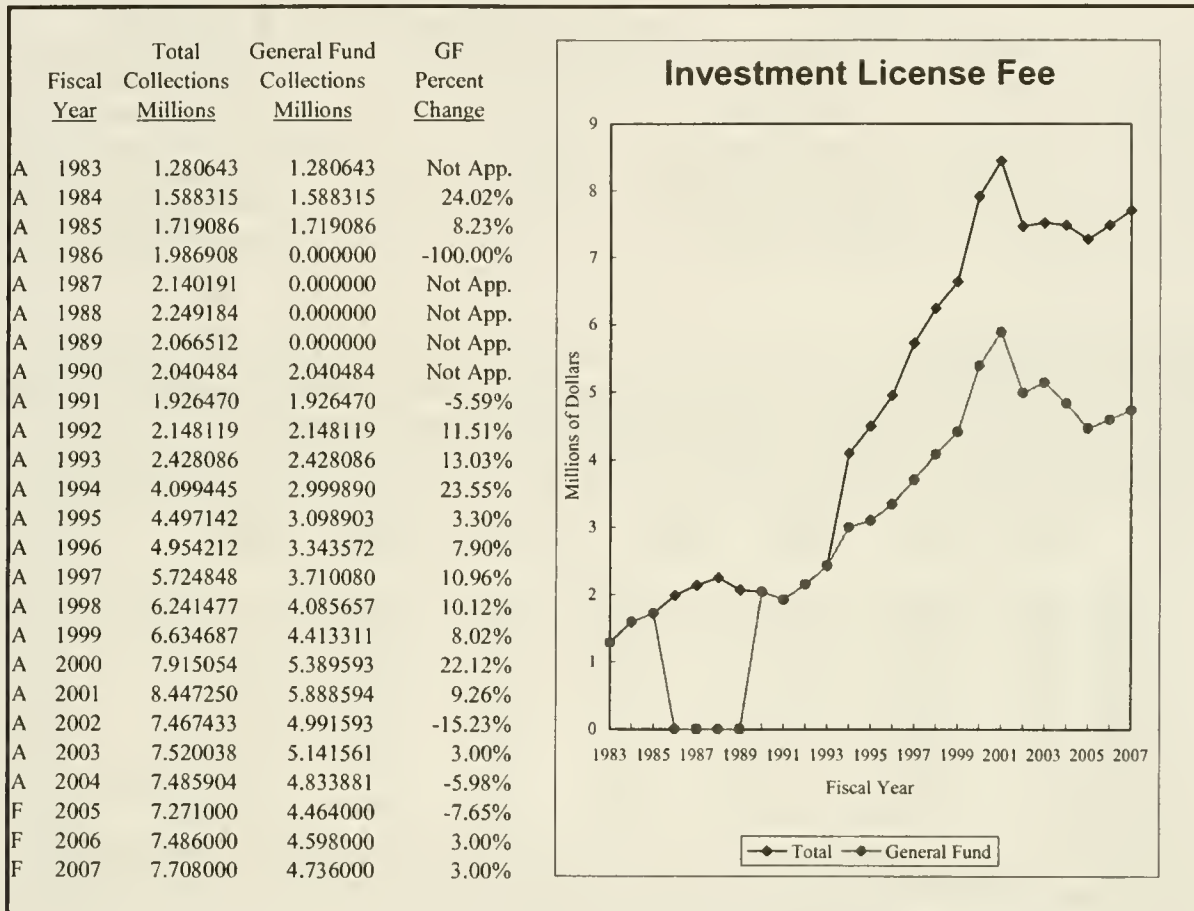
# Legislative Fiscal Division

## Revenue Estimate Profile

### Investment License Fee

% of Total FY 2004 General Fund Revenue: 0.35%

#### Revenue Projection:



#### Forecast Methodology

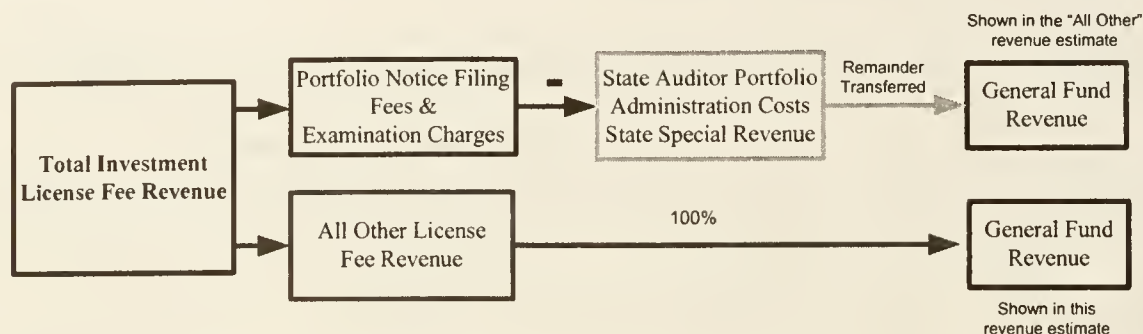
$$\left( \boxed{\text{Base Year Revenue from Portfolio Fees}} \times \boxed{\text{Growth Rate}} \right) + \boxed{\text{Examination Fees and Non-general Fund Fee Revenue From Budget Submission}} - \boxed{\text{Portfolio Expenses}} = \boxed{\text{Total Investment License Fee Revenue}}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Investment License Fee

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	GF Transfer	Licenses	Portfolio	Port. Exp.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.915054	5.389593	2.296258	5.389593	2.525461	0.151983
Actual	2001	8.447250	5.888594	2.445000	5.888594	2.558656	0.135759
Actual	2002	7.467433	4.991593	2.179165	4.991593	2.475840	0.202493
Actual	2003	7.520038	5.141561	2.036200	5.141787	2.378477	0.320954
Actual	2004	7.485904	4.833881	2.113000	4.833881	2.652023	0.683808
Forecast	2005	7.271000	4.464000	2.044000	4.463897	2.807075	0.763018
Forecast	2006	7.486000	4.598000	2.104000	4.597814	2.888599	0.784381
Forecast	2007	7.708000	4.736000	2.183000	4.735748	2.972569	0.789312

	t	Licenses	Portfolio	Expense
	<u>Fiscal</u>	<u>Growth</u>	<u>Growth</u>	<u>Growth</u>
Actual	2000	0.221213	0.137475	0.044550
Actual	2001	0.092586	0.013144	-0.106749
Actual	2002	-0.152329	-0.034073	0.491562
Actual	2003	0.030089	-0.042251	0.585013
Actual	2004	-0.059883	0.114598	1.130548
Forecast	2005	0.000000	0.030000	0.000000
Forecast	2006	0.000000	0.030000	0.000000
Forecast	2007	0.000000	0.030000	0.000000



# Legislative Fiscal Division

## Revenue Estimate Profile

### Lodging Taxes

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**Revenue Description:** The state imposes two taxes on room charges collected by lodging facilities and campgrounds – a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging.

The 3 percent lodging sales tax began June 1, 2003 and applies to hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exempt are facilities: 1) for health care; 2) owned by non-profit corporations for use by people under 18-years of age for camping; 3) whose average daily charge is less than 60 percent of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. Sales to the U.S. government are also exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The vendor must pay the tax due by the last day of the month following a calendar quarter. Vendors are allowed to claim and keep five percent of the tax as an allowance, not to exceed \$1,000 a quarter. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed.

The 4 percent lodging facility use tax applies to facilities containing individual sleeping rooms or suites, providing overnight lodging for periods of less than 30 days to the general public for compensation. This includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, or bed and breakfasts. Exempt are: 1) non-profit or religious corporation facilities used primarily by persons under 18 years of age for camping; 2) facilities whose average daily charge does not exceed 60 percent of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. All facilities must be registered with the Department of Revenue. Any of the tax paid by state employees is returned to the fund that paid the tax. Since general fund pays a portion of the tax, a portion is returned to the general fund. This amount is also shown in the "All Other Revenue" profile.

**Applicable Tax Rate(s):** The lodging sales tax is 3.0 percent of the sales price. The lodging facility use tax is 4.0 percent of room charges.

#### Distribution:

1. Sales Tax: 100% general fund
2. Lodging Facility Use Tax:

Fiscal 2004 - 2007, the revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; 2) to the various funds from which payment of the tax paid by state employees were made, including the general fund; and 3) \$400,000 to the Montana heritage preservation and development fund which is statutorily appropriated for restoring and maintaining historic properties. After these distributions, the remainder is distributed and statutorily appropriated:

- 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- 22.5% to regional nonprofit tourism corporations.
- 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
- 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
- 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

Fiscal 2008 and beyond, the revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; and 2) to the various funds from which payment of the tax paid by state employees were made, including the general fund. After these distributions, the remainder is distributed and statutorily appropriated:

- 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- 22.5% to regional nonprofit tourism corporations.
- 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
- 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
- 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Lodging Taxes

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

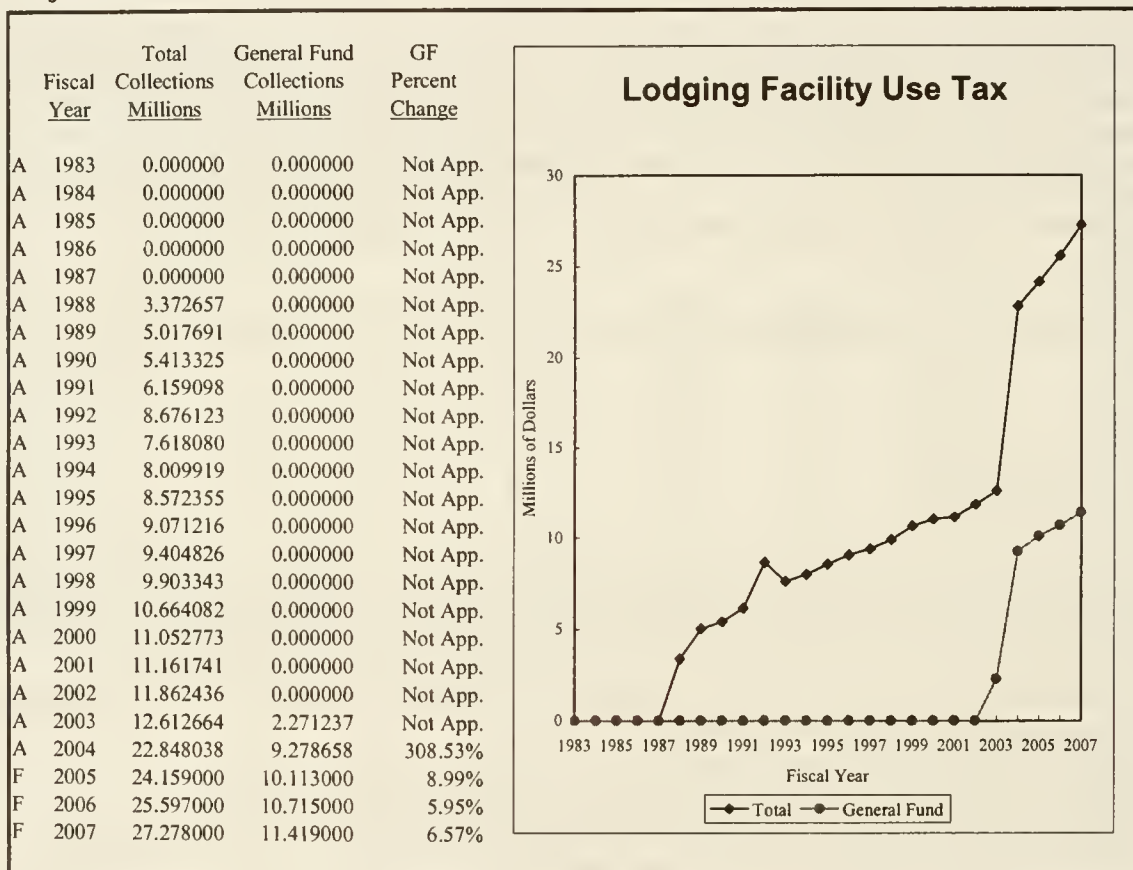
Tax Rate (MCA) - 15-65-111 (lodging facility use tax), 15-68-102 (lodging sales tax)

Tax Distribution (MCA) - 15-65-121 (lodging facility use tax), 15-68-820 (lodging sales tax)

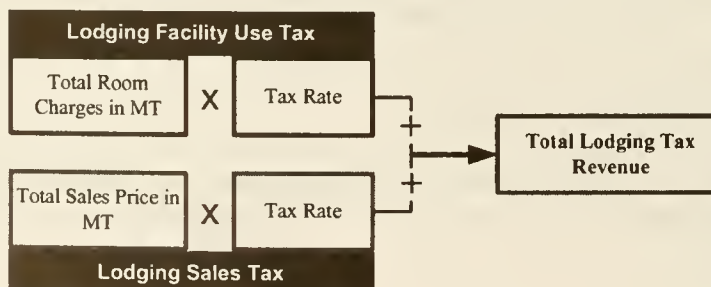
Date Due – Lodging facility use tax is due before the end of calendar quarter (15-65-112). The lodging sales tax is due the last day of the month following the calendar quarter (15-68-502(1)).

**% of Total FY 2004 General Fund Revenue:** 0.67% (a small portion for reimbursement of lodging facility taxes paid by state employees is included in "All Other General Fund Revenue")

#### Revenue Projection:



#### Forecast Methodology

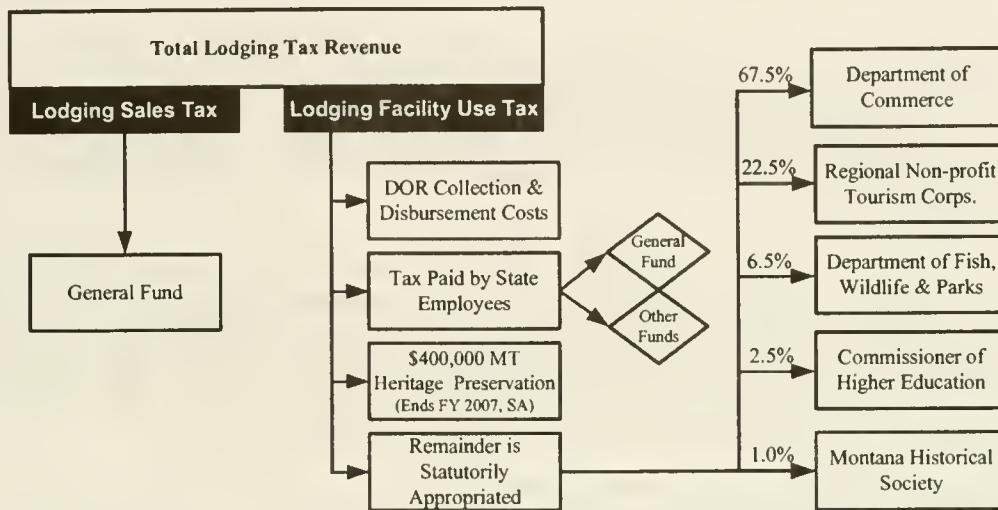


# Legislative Fiscal Division

## Revenue Estimate Profile

### Lodging Taxes

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Room Charge	Tax	Room Charge	Tax	DOR
	Fiscal	Millions	Millions	Millions	Rate	Millions	Rate	Admin. Millions
Actual	2000	11.052773	0.000000	276.319325	4.0000%			0.114927
Actual	2001	11.161741	0.000000	279.043525	4.0000%			0.114525
Actual	2002	11.862436	0.000000	296.560900	4.0000%			0.126368
Actual	2003	12.612664	2.271237	216.035675	4.0000%			0.103338
Actual	2004	22.848038	9.278658	339.234500	4.0000%	309.288600	3.0000%	0.137254
Forecast	2005	24.159000	10.113000	351.150000	4.0000%	337.100000	3.0000%	0.141000
Forecast	2006	25.597000	10.715000	372.050000	4.0000%	357.167000	3.0000%	0.146000
Forecast	2007	27.278000	11.419000	396.475000	4.0000%	380.633000	3.0000%	0.150000

	t	Higher Ed.	DOC	Sites & Signs	Regional	FWP	MT. Heritage	All Other
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Entities Millions
Actual	2000	0.263447	7.113045	0.105379	2.371015	0.684960	0.400000	0.000000
Actual	2001	0.267061	7.210657	0.106824	2.403552	0.694358	0.400000	-0.035236
Actual	2002	0.283388	7.651483	0.113892	2.550494	0.736809	0.400000	0.000002
Actual	2003	0.288449	6.088121	0.115511	2.596040	0.749968	0.400000	0.000000
Actual	2004	0.325804	8.796686	0.130321	2.932227	0.847088	0.400000	0.000000
Forecast	2005	0.338000	9.116000	0.135000	3.039000	0.878000	0.400000	0.000000
Forecast	2006	0.358000	9.677000	0.143000	3.226000	0.932000	0.400000	0.000000
Forecast	2007	0.383000	10.334000	0.153000	3.445000	0.995000	0.400000	0.000000



# Legislative Fiscal Division

## Revenue Estimate Profile

### Motor Vehicle Fee

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**Revenue Description:** The state assesses a variety of motor vehicle fees, such as fees for the filing of motor vehicle liens, fees for new license plates, title fees, and annual and permanent registration fees. The fees vary according to the type of vehicle (i.e., motor vehicle, snowmobile, etc.) and the type of license plate (regular, personal, military, etc.). There are also Gross Vehicle Weight (GVW) fees on trucks and pickups, as well as special fees for senior citizen transportation, veteran services, the highway patrol pension fund, salaries for the highway patrol, motorcycle safety, electronic commerce applications, and an optional \$4 registration fee on light vehicles for state parks and fishing access sites.

Effective January 1, 2004, all fees on motorcycles and quadricycles, trailers, travel trailers, snowmobiles, off-highway vehicles, and watercraft are one-time only and permanent, except upon change of ownership. Fees on other vehicles are annual. Light vehicles older than ten years old may be licensed permanently, at the option of the owner. New license plate fees increase from \$2 to \$5. The registration fees on campers and pontoons and rubber rafts are eliminated. Beginning January 1, 2005, the registration fees on all light vehicles increased, as well permanent fees on recreational trailers, off-highway vehicles, snowmobiles, recreational vehicles, and motorcycles. Beginning January 2006, motor homes 11 years or older may be permanently registered.

**Applicable Tax Rate(s):** Various

**Distribution:** Most motor vehicle fees are allocated to the general fund. The following fees are distributed to the Motor Vehicle Information Technology Systems state special revenue account: 1) \$4 of the \$8 recording lien fee (including boats, snowmobiles, and off highway vehicles); 2) \$5.00 of the \$10.00 certificate of ownership fees for watercraft, snowmobiles, off-highway vehicles and all other vehicles; 3) \$5.00 of the \$10.00 duplicate certificate of ownership fee; and 4) all of the \$10.00 fee for the issuance of a new certificate of title following the release of a lien. Other distributions to other state special revenue accounts (and county general fund) are: 1) \$10 of the \$30 donation fee for collegiate license plates to the student academic scholarship fund or foundation of the named institution; 2) the annual donation fee of \$20 for motorcycle or quadricycles specialty license plates for grants to chronically or critically ill children; 3) \$5 of the \$15 administrative fee for generic specialty license plates to the county general fund; 4) all of the \$15 surcharge for sponsoring a generic patriotic license plate for the construction, maintenance, operation, and administration of state veterans' cemeteries; and 5) with the enactment of SB 285 by the 2005 legislature, the optional \$4 fee for parks is deposited in a state special account rather than the general fund. With the enactment of HB 671 by the 2005 legislature, revenue from new temporary registration fees of \$3 and \$8 are deposited in a non-budgeted enterprise fund.

#### Summary of Legislative Action:

House Bill 35 – An alternative pay and classification plan is created for the Montana highway patrol. The registration fee for certain light vehicles, trailers, off-highway vehicles, heavy trucks, trucks and busses, logging trucks, motor homes, motorcycles and quadricycles, trailers and semitrailers, travel trailers, and recreational vehicles increases \$5. The increase does not apply to snowmobiles, watercraft, and pole trailers. Revenue from the increased fee is deposited to a state special revenue fund and is statutorily appropriated to the Department of Justice to fund: 1) an increase in the base salary of highway patrol positions existing on June 30, 2006; 2) the base salary and associated operating costs for new positions created after June 30, 2006; and 3) biennial salary increases after June 30, 2006 for highway patrol officers. Coordination with HB 447 reduces FY 2007 state special revenue appropriations in HB 447 by \$299,311. The legislation also exempts authorized positions in the Montana highway patrol from vacancy savings. The registration fee increase provides \$3,313,590 additional state special revenue in FY 2006 and \$6,627,135 in FY 2007. The legislation is effective on passage and approval, except for the fee increase and statutory appropriation that are effective January 1, 2006.

House Bill 541 – Motor homes 11 years or older may be permanently registered. In coordination with Senate Bill 285, the registration fee is \$237.50 plus five times the personalized license plate fee if applicable. If the title is transferred, the new owner must pay all applicable fees. General fund revenue is expected to increase \$38,988 in FY 2006 and \$32,246 in FY 2007. The legislation is effective January 1, 2006.

House Bill 671 – The legislation revises motor vehicle statutes to clarify and streamline the administration of motor vehicle regulations, registrations, and associated fees. New fees of \$3 and \$8 are established for residents and nonresidents, respectively, who obtain temporary registration permits. Revenue from the fees is deposited to the new "motor vehicle electronic commerce operating account" in the enterprise fund. Money in the account is non-budgeted and is to be used by the Department of Justice to pay costs of operating, maintaining and enhancing electronic commerce applications. The legislative changes and associated fiscal impacts are summarized in



# Legislative Fiscal Division

## Revenue Estimate Profile

### Motor Vehicle Fee

the table below. The new enterprise fund is effective July 1, 2005 and applicable sections of the legislation are effective January 1, 2006.

Fiscal Impacts of House Bill 671						
Legislative Changes	General Fund		State Special		Enterprise Fund	
	Fiscal 2006	Fiscal 2007	Fiscal 2006	Fiscal 2007	Fiscal 2006	Fiscal 2007
Eliminate \$10 fee for manufactured home title	(\$5,250)	(\$7,000)	(\$5,250)	(\$7,000)	-	-
New \$3 temporary registration permit - resident	-	-	-	-	202,500	405,000
New \$8 temporary registration permit - nonresident	-	-	-	-	60,000	120,000
Eliminate plate transfer registration fee exemption	700,000	1,400,000	-	-	-	-
Eliminate prorating of registration fees	450,000	900,000	-	-	-	-
Eliminate collection of back taxes for unregistered vehicle	(210,000)	(420,000)	-	-	-	-
Eliminate fleet vehicle \$7.50 registration fee (DOT)	(1,350)	(2,700)	(2,025)	(4,050)	-	-
Fleet vehicles subject to \$22 heavy vehicle registration fee	9,900	19,800	-	-	-	-
New \$5 fee for special motorcycle license plates - to counties	-	-	-	-	-	-
<b>Total</b>	<b>\$943,300</b>	<b>\$1,890,100</b>	<b>(\$7,275)</b>	<b>(\$11,050)</b>	<b>\$262,500</b>	<b>\$525,000</b>

Senate Bill 248 – In addition to revising the penalty for driving without mandatory motor vehicle liability insurance, the legislation authorized the Department of Justice to issue a restricted registration receipt once proof of compliance is established for those with two or three convictions. The receipt allows the operation of the vehicle only for employment purposes during a set time period. Revenue from the restricted registration receipt fee, as set by the department, increases general fund revenue \$21,000 in FY 2006 and \$28,000 in FY 2007. The legislation is effective July 1, 2005.

Senate Bill 285 – The legislation revises and simplifies motor vehicle fees by: 1) combining fees; 2) moving definitions to one section of law; 3) assigning fee collection to the Department of Justice; and 4) basing the general fund transfers of motor vehicle fees to various agency account on a percentage of general fund revenue collections rather than on vehicle counts from previous years. In addition, SB 285 earmarks revenue from the voluntary \$4.00 vehicle registration fee for state parks that under previous law was deposited to the general fund (and then transferred to the state special revenue fund) to the state special revenue fund. This reduces general fund revenue \$2,743,892 in FY 2006 and \$2,809,745 in FY 2007 and reduces transfers out of the general fund by the same amounts. State special revenue increases by the same amounts. The changes to the general fund transfers are effective July 1, 2005. The rest of the legislation is effective January 1, 2006.

Motor Vehicle Fee -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0035 Highway patrol officer salaries and retention			
HB0541 Allow motor homes 11 years old and older to be permanently registered		38,988	32,246
HB0671 Generally revise motor vehicle law		943,300	1,890,100
SB0248 Revise penalty for no motor vehicle insurance		21,000	28,000
SB0285 Organize and simplify motor vehicle laws		(2,743,892)	(2,809,745)
<b>Total Estimated General Fund Impact</b>	<b>\$0</b>	<b>(\$1,740,604)</b>	<b>(\$859,399)</b>

#### Statutory Reference:

Tax Fee rate – multiple, but generally in title 61, chapter 3.

Tax Distribution (MCA) – all fees in Title 61 are distributed to the general fund unless stated otherwise (61-3-108)

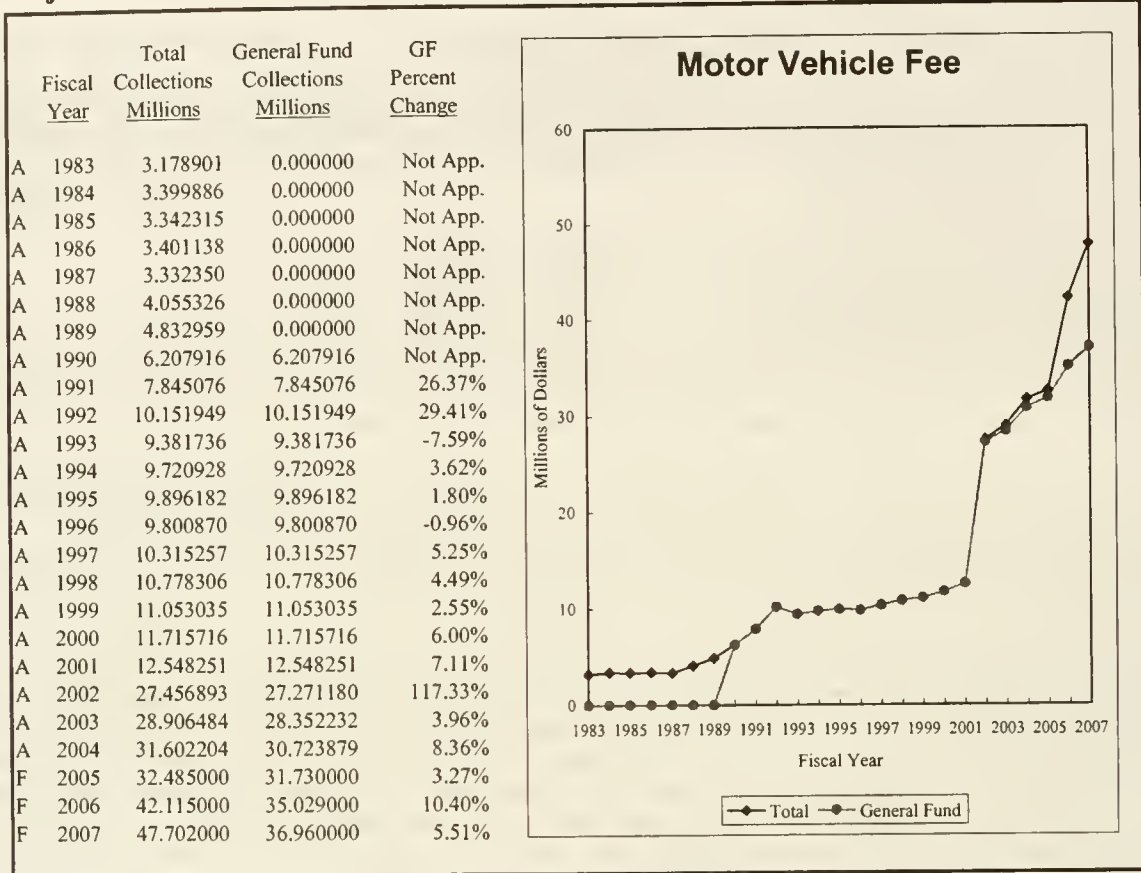
**% of Total FY 2004 General Fund Revenue: 2.22%**

# Legislative Fiscal Division

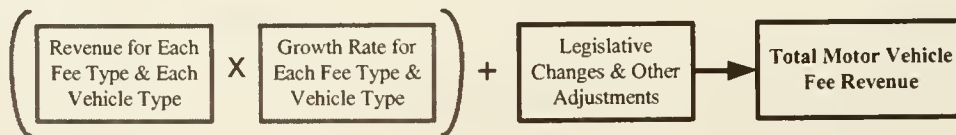
## Revenue Estimate Profile

### Motor Vehicle Fee

#### Revenue Projection:

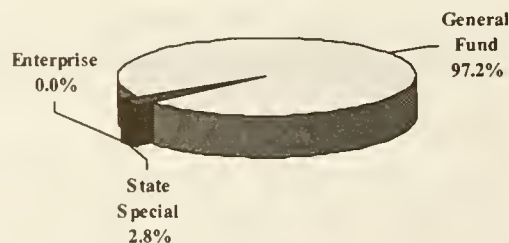


#### Forecast Methodology



#### Distribution Methodology

Based on Actual Fiscal 2004



# Legislative Fiscal Division

## Revenue Estimate Profile

### Motor Vehicle Fee

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	Millions	Millions	Registration	Record	Titles	Personal	Parks
				Millions	Millions	Millions	Millions	Millions
Actual	2000	11.715716	11.715716	6.233271	0.629295	1.292338	0.727670	
Actual	2001	12.548251	12.548251	6.367734	0.635889	1.290092	0.712995	
Actual	2002	27.456893	27.271180	21.180491	0.727958	2.352977	1.269593	
Actual	2003	28.906484	28.352232	21.712218	0.696408	2.441699	1.353633	
Actual	2004	31.602204	30.723879	22.576638	0.737269	2.660438	1.492359	
Forecast	2005	32.485000	31.730000	22.010978	0.754963	2.724289	1.528176	
Forecast	2006	37.543000	36.770000	22.539241	0.773082	2.789672	1.564852	2.743892
Forecast	2007	38.611000	37.819000	23.080183	0.791636	2.856624	1.602408	2.809745

	t	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	Non GF Fee	
	Fiscal	New Plate	Computer	\$ .25	Other	Transit	Lien	Adjustments
		Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.856821	1.304458	0.299821	0.372042			
Actual	2001	1.536103	1.335946	0.304236	0.365256			
Actual	2002	0.524575	-0.001199	0.024150	1.083974	0.108661	0.185713	
Actual	2003	0.491723	0.000000	0.000000	1.221468	0.435083	0.554252	
Actual	2004	0.909985	0.000000	0.000000	1.953075	0.394115	0.878325	
Forecast	2005	1.331178	0.000000	0.000000	2.170518	0.403574	0.754963	0.806000
Forecast	2006	4.934707	0.000000	0.000000	2.222610	0.413260	0.773082	-1.212000
Forecast	2007	2.447405	0.000000	0.000000	2.275953	0.423178	0.791636	1.532000

	t	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	Registration	Record	Titles	Personal	New Plate	Other
		Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate
Actual	2000	3.2150%	-0.0519%	2.1117%	4.8659%	84.1881%	-8.5040%
Actual	2001	2.1572%	1.0478%	-0.1738%	-2.0167%	79.2793%	-1.8240%
Actual	2002	232.6221%	14.4788%	82.3883%	78.0648%	-65.8503%	196.7710%
Actual	2003	2.5105%	-4.3340%	3.7706%	6.6194%	-6.2626%	12.6843%
Actual	2004	3.9813%	5.8674%	8.9585%	10.2484%	85.0605%	59.8957%
Forecast	2005	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%
Forecast	2006	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%
Forecast	2007	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%

	t	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	Non GF Fee
	Fiscal	New Plate	Computer	\$0.25	Other	Transit	Lien
		Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate
Actual	2000	84.1881%	2.8335%	5.4012%	-8.5040%		
Actual	2001	79.2793%	2.4139%	1.4725%	-1.8240%		
Actual	2002	-65.8503%	-100.0897%	-92.0621%	196.7710%		
Actual	2003	-6.2626%	-100.0000%	-100.0000%	12.6843%	300.4040%	-4.3340%
Actual	2004	85.0605%			59.8957%	-9.4161%	5.8674%
Forecast	2005	46.2857%			11.1334%	2.4000%	2.4000%
Forecast	2006	2.4000%			2.4000%	2.4000%	2.4000%
Forecast	2007	2.4000%			2.4000%	2.4000%	2.4000%

# Legislative Fiscal Division

## Revenue Estimate Profile

### Public Contractors Tax

**Revenue Description:** Contractors or subcontractors submitting a proposal to perform construction work in Montana for the federal government, state government, or any political subdivision, must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway construction, but a license is required once the bid is awarded.

**Applicable Tax Rate(s):** A 1.0 percent license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, a credit (in the form of a refund) against the license fee is allowed for personal property taxes and certain motor vehicle fees paid in Montana on personal property or vehicles used in the business of the contractor. In addition, the amount of the net license fee paid (gross less the property tax refund) may be used as a credit on the contractor's corporate or individual tax return. Overpayments are also refunded.

**Distribution:** All public contractor tax revenue is deposited into the general fund.

#### Summary of Legislative Action:

Senate Bill 323 – The legislation allows public contractors to carry forward the public contractor's gross receipts tax (PCGR) credit against individual income taxes or corporation license taxes for up to five succeeding years, reducing the PCGR tax collections by \$350,000 in the 2007 biennium. Under the previous law, public contractors were allowed to offset these taxes paid during the tax year with gross receipts taxes paid in the same year. The legislation allows any unused credit to be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year. The new carry forward provision reduces general fund tax collections beginning FY 2007 by \$350,000. The legislation is effective on passage and approval.

Public Contractors Tax -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
SB0323 Carryforward of contractor's gross receipts tax -- corporate income			(350,000)
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$0</u>	<u>(\$350,000)</u>

#### Statutory Reference:

Tax Rate (MCA) – 15-50-205

Tax Distribution MCA) – 15-50-311

Date Due – within 30 days after payment to the contractor (15-50-309)

**% of Total FY 2004 General Fund Revenue:** 0.15%

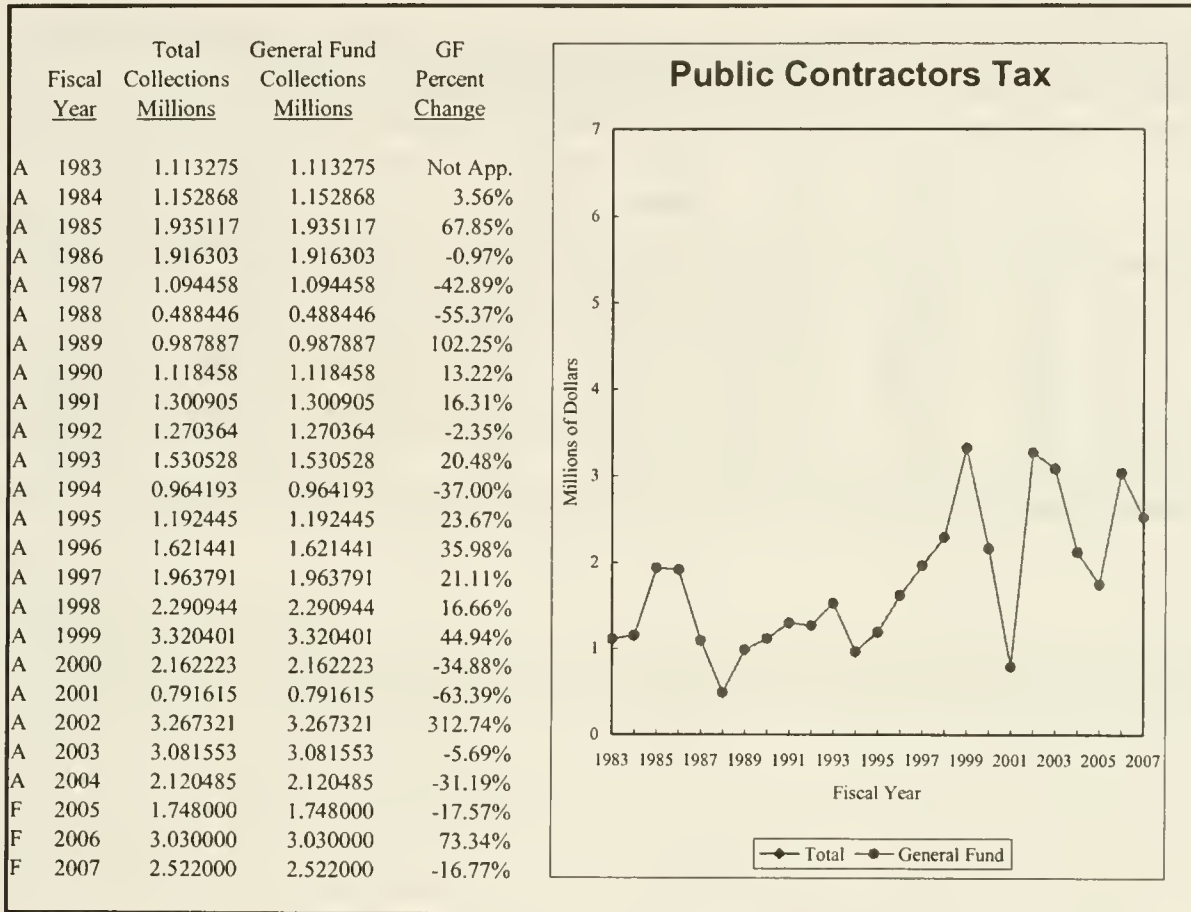


# Legislative Fiscal Division

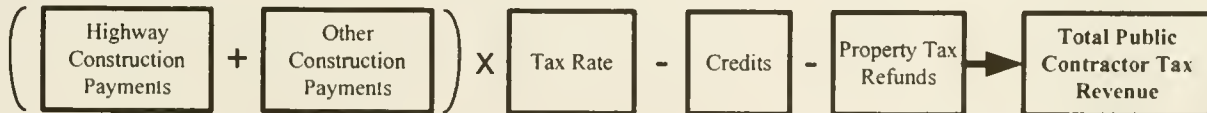
## Revenue Estimate Profile

### Public Contractors Tax

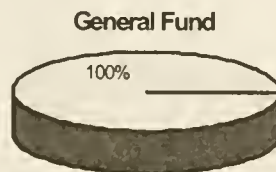
#### Revenue Projection:



#### Forecast Methodology



#### Distribution Methodology



# Legislative Fiscal Division

## Revenue Estimate Profile

### Public Contractors Tax

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Gross Tax</u>	<u>Credits</u>	<u>Tax</u>	<u>DOT</u>	<u>Other</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>&amp; Refunds</u>	<u>Rate</u>	<u>Millions</u>	<u>Millions</u>
					<u>Millions</u>			
Actual	2000	2.162223	2.162223	5.516069	3.444985	0.010000	234.875465	316.731435
Actual	2001	0.791615	0.791615	4.502749	3.711134	0.010000	200.507963	249.766937
Actual	2002	3.267321	3.267321	5.054973	1.787652	0.010000	217.749022	287.748278
Actual	2003	3.081553	3.081553	5.706437	2.624884	0.010000	226.113524	344.530176
Actual	2004	2.120485	2.120485	6.004105	3.883620	0.010000	241.630131	358.780369
Forecast	2005	1.748000	1.748000	6.399198	4.651065	0.010000	281.139440	358.780369
Forecast	2006	3.030000	3.030000	6.327495	3.297714	0.010000	273.969092	358.780369
Forecast	2007	2.872000	2.872000	6.238629	3.367029	0.010000	265.082521	358.780369

# Legislative Fiscal Division

## Revenue Estimate Profile

### Railroad Car Tax

**Revenue Description:** All railroad property is subject to taxation as defined in the federal Railroad Revitalization and Regulatory Reform Act of 1976. The Railroad car tax applies to the rolling stock owned by railroad companies. The railroad car tax rate the average property tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

**Applicable Tax Rate(s):** The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property. This is multiplied by the statewide average mill levy for commercial and industrial property. The most current tax year rates are:

• 2003 – 4.02%	• 2005 – 3.81%	• 2007 – 3.60%
• 2004 – 3.88%	• 2006 – 3.70%	

**Distribution:** All revenue from this tax is deposited into the general fund.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

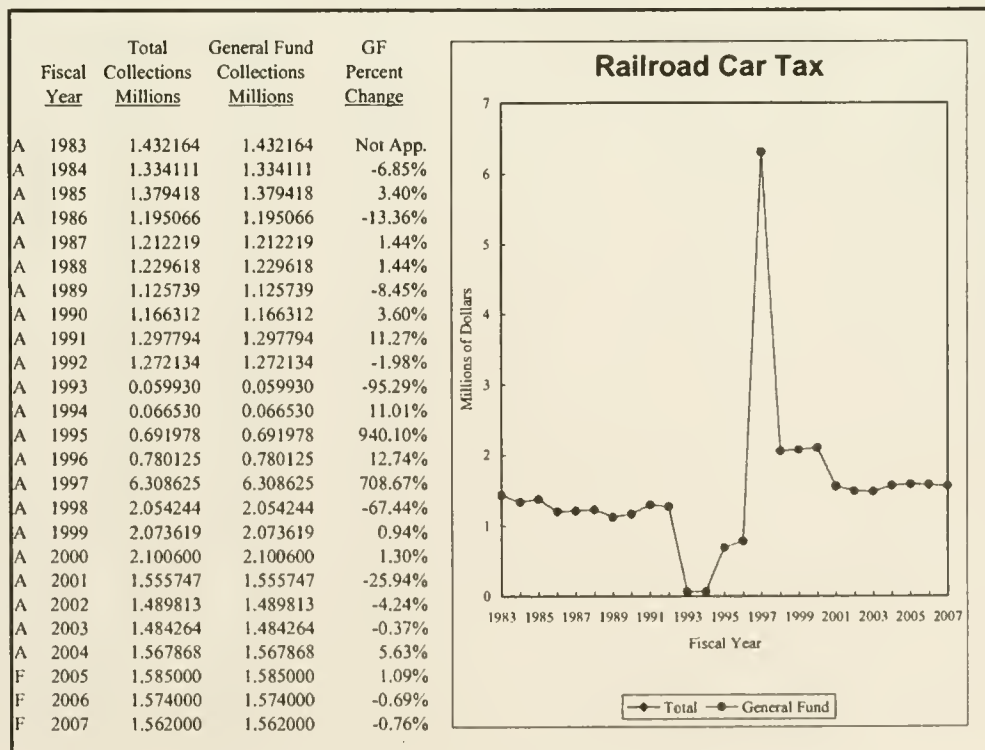
Tax Rate (MCA) - 15-23-214(1)

Tax Distribution (MCA) – 15-23-215

Date Due – Report due to the Department of Revenue April 15<sup>th</sup> of each year for the previous calendar year (15-23-103(2), 15-23-212). The department calculates the tax due by the third Monday in October (15-23-214(1)). One-half of the tax is due by November 30<sup>th</sup> and one-half is due by May 31<sup>st</sup> (15-23-214(3), 15-16-102(1)).

**% of Total FY 2004 General Fund Revenue:** 0.11%

#### Revenue Projection:

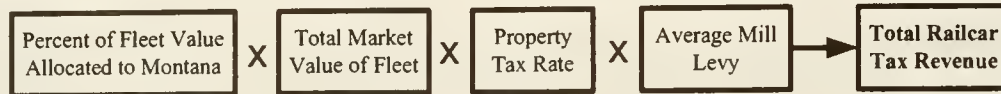


# Legislative Fiscal Division

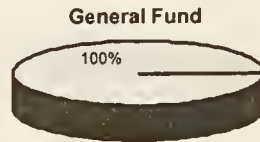
## Revenue Estimate Profile

### Railroad Car Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Total MV (CY)	Allocation	MT MV (CY)	Tax	Mills
	Fiscal	Millions	Millions	of Fleet	Percent	of Fleet	Rate	95/100 %
				Millions		Millions		
Actual	2000	2.100600	2.100600	17582.615541	0.005439	95.626964	0.060800	0.363540
Actual	2001	1.555747	1.555747	19335.425780	0.005021	97.074849	0.042700	0.380060
Actual	2002	1.489813	1.489813	20065.083606	0.004468	89.657366	0.042100	0.400980
Actual	2003	1.484264	1.484264	19527.799607	0.004791	93.549116	0.040200	0.419254
Actual	2004	1.567868	1.567868	19231.928074	0.004369	84.019893	0.038800	0.474429
Forecast	2005	1.585000	1.585000	18767.654717	0.004404	82.645156	0.038100	0.503390
Forecast	2006	1.574000	1.574000	18767.654717	0.004414	82.840428	0.037000	0.513458
Forecast	2007	1.562000	1.562000	18767.654717	0.004414	82.840428	0.036000	0.523727



# Legislative Fiscal Division

## Revenue Estimate Profile

### Rental Car Sales Tax

**Revenue Description:** Beginning July 1, 2003, a new four percent sales tax is imposed on the base rental charge for rental vehicles. The base rental charge includes use charges for time and mileage, insurance, accessory equipment, and charges for additional or underage drivers. It does not include price discounts, charges for operating an airport concession, motor fuel, intercity drop charges, and government taxes. A rental vehicle is one that is used by a person other than the owner by arrangement and for consideration. Included are light vehicles, motorcycles, motor-driven cycles, quadricycles, motorboats and sailboats, and off-highway vehicles. Sales to the U.S. government are exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed. Vendors are allowed to claim and keep five percent of the tax as an allowance, not to exceed \$1,000 a quarter.

**Applicable Tax Rate(s):** A four percent sales tax is imposed on the base rental charge for rental vehicles.

**Distribution:** All revenue from this tax is deposited into the general fund.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

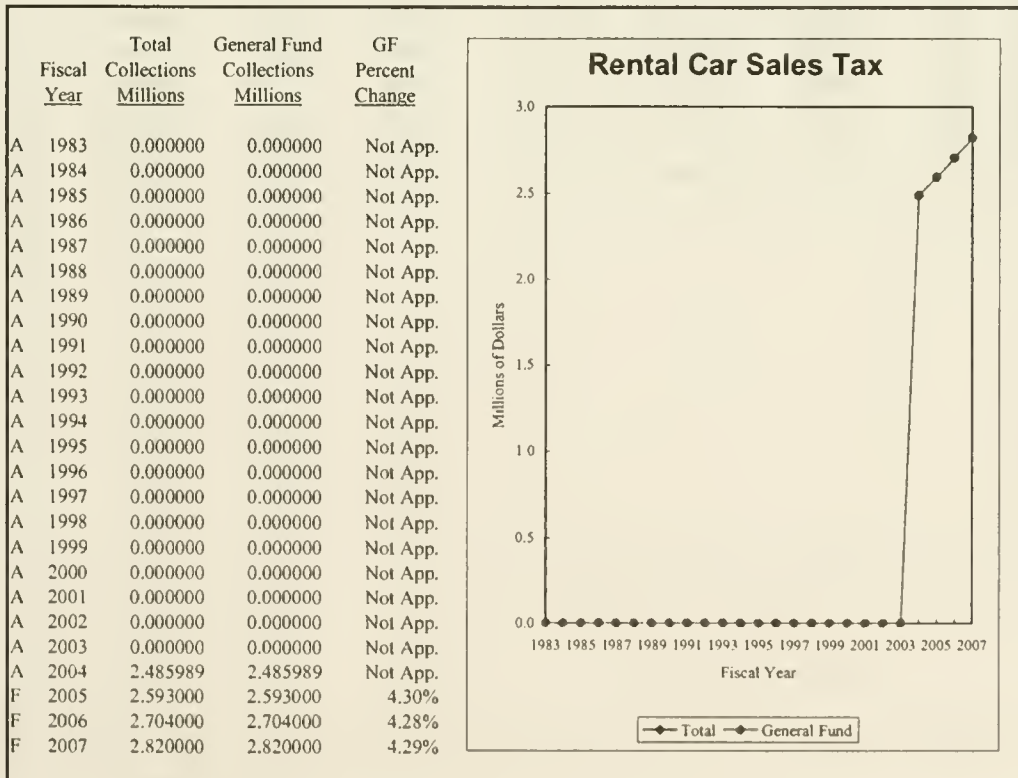
Tax Rate (MCA) - 15-68-102(1b)

Tax Distribution MCA) - 15-68-820

Date Due - before the last day of the month following the calendar quarter (15-68-502(1))

**% of Total FY 2004 General Fund Revenue:** 0.18%

#### Revenue Projection:

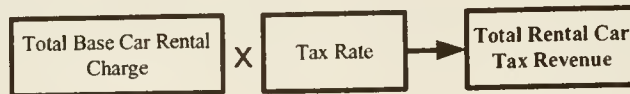


# Legislative Fiscal Division

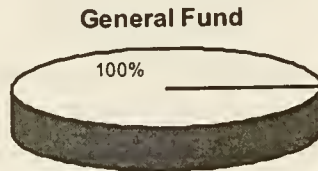
## Revenue Estimate Profile

### Rental Car Sales Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Taxable</u> <u>Millions</u>	<u>Tax</u> <u>Rate</u>	<u>Credits</u> <u>Millions</u>	<u>Audits</u> <u>Millions</u>
Actual	2000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	2.485989	2.485989	62.149725	0.040000	0.000000	0.000000
Forecast	2005	2.593000	2.593000	64.822163	0.040000	0.000000	0.000000
Forecast	2006	2.704000	2.704000	67.609516	0.040000	0.000000	0.000000
Forecast	2007	2.820000	2.820000	70.516725	0.040000	0.000000	0.000000

# Legislative Fiscal Division

## Revenue Estimate Profile

### Telecommunications Excise Tax

**Revenue Description:** The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

**Applicable Tax Rate(s):** The current tax rate of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. Gross receipts from the provision of internet services are also exempt. Credits previously allowed for costs of advanced telecommunications infrastructure improvements were repealed in House Bill 96 by the 2003 legislature.

**Distribution:** After retaining an allowance for refunds, all proceeds are deposited into the general fund.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

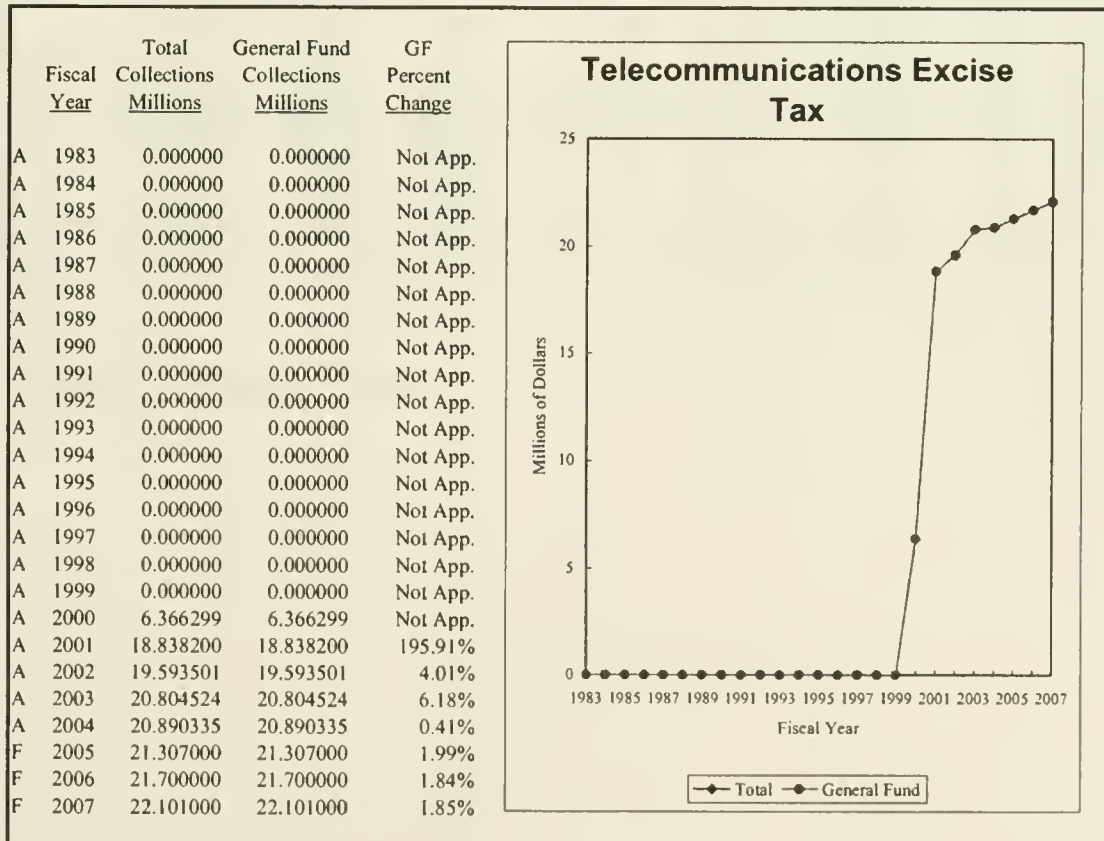
Tax Rate (MCA) – 15-53-130

Tax Distribution (MCA) – 15-53-156

Date Due – 60 days after the end of the calendar quarter (15-53-139)

**% of Total FY 2004 General Fund Revenue:** 1.51%

#### Revenue Projection:

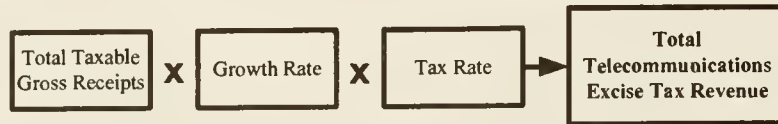


# Legislative Fiscal Division

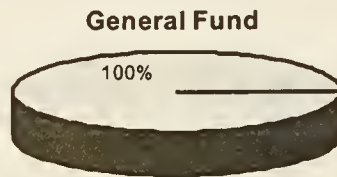
## Revenue Estimate Profile

### Telecommunications Excise Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Taxable</u> <u>Millions</u>	<u>Tax</u> <u>Rate</u>	<u>Credits</u> <u>Millions</u>	<u>Audits</u> <u>Millions</u>
Actual	2000	6.366299	6.366299	182.127040	0.037500	0.000000	0.000000
Actual	2001	18.838200	18.838200	465.259867	0.037500	0.429045	1.820000
Actual	2002	19.593501	19.593501	512.754187	0.037500	0.252198	0.617417
Actual	2003	20.804524	20.804524	540.397200	0.037500	0.004069	0.543698
Actual	2004	20.890335	20.890335	544.549744	0.037500	0.052757	0.837881
Forecast	2005	21.307000	21.307000	554.841734	0.037500	0.000000	0.500000
Forecast	2006	21.700000	21.700000	565.328243	0.037500	0.000000	0.500000
Forecast	2007	22.101000	22.101000	576.012947	0.037500	0.000000	0.500000



# Legislative Fiscal Division

## Revenue Estimate Profile

### Vehicle Tax

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**Revenue Description:** Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight.

Before January 1, 2001 light vehicles were taxed on an ad valorem basis. As a result of Referendum (LR) 115 (HB540), passed by the electorate in November 2000, light vehicles pay a fee-in-lieu of tax (FILT). The fee is \$195 for light vehicles of age between zero and four years, \$65 for vehicles between five and ten years of age, and \$6 for vehicles over ten years old. Owners of vehicles greater than ten years old may pay \$50 for a permanent registration.

Effective January 1, 2004, the fees-in-lieu-of-tax on motorcycles and quadricycles, trailers and travel trailers, snowmobiles, watercraft, off-highway vehicles are one-time payments, except upon change of ownership. These one-time fees in calendar 2004 will double in calendar 2005 and beyond.

Effective January 1, 2003, the fee schedule on heavy trucks was reduced by 1/6<sup>th</sup> for calendar 2003, by 1/3<sup>rd</sup> for calendar 2004 and by 1/2 for calendar 2005. These changes were enacted by HB 247 in the 2003 legislative session. The fee schedule for truck varies by age and weight capacity.

**Applicable Tax Rate(s):** Varies

**Distribution:** All fees-in-lieu-of-tax are deposited in the general fund.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference :

Tax Rate (MCA) – watercraft one-time (23-2-516), snowmobiles one-time (23-2-626), OHV one-time (23-2-803), motor homes (61-3-522), travel trailers one-time (61-3-523), motorcycles and quadricycles one-time (61-3-527), vehicles greater than 1 ton (61-3-529), trailers one-time (61-3-530), light vehicles (61-3-561)

Tax Distribution (MCA) – watercraft (23-2-518), snowmobiles (23-2-619(7)), OHV (23-2-803), light vehicles (61-3-509), motorcycles and quadricycles (61-3-509), motor homes (61-3-509), vehicles greater than 1 ton (61-3-509)

Date Due – County treasurers to remitted the revenue to the Department of Revenue every 30 days (61-3-509).

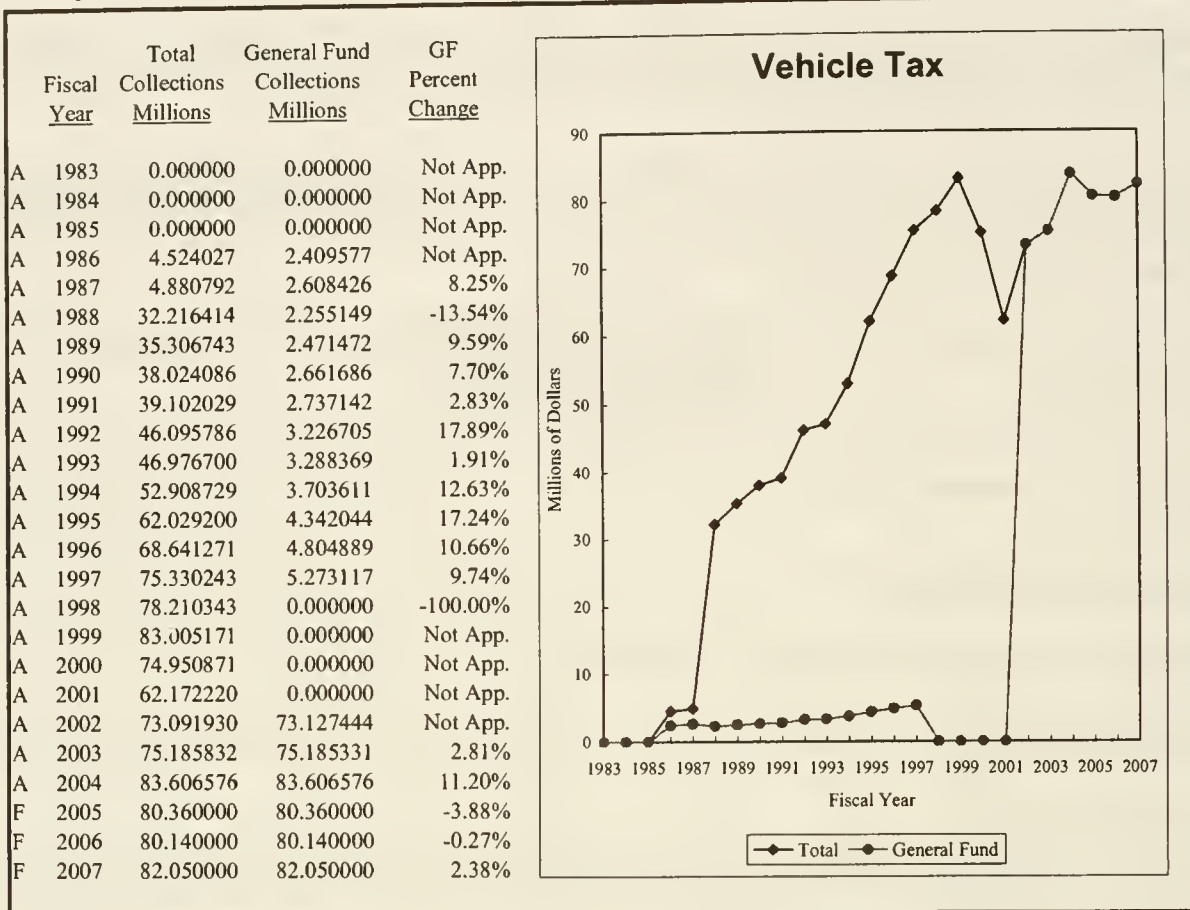
**% of Total FY 2004 General Fund Revenue:** 6.05%

# Legislative Fiscal Division

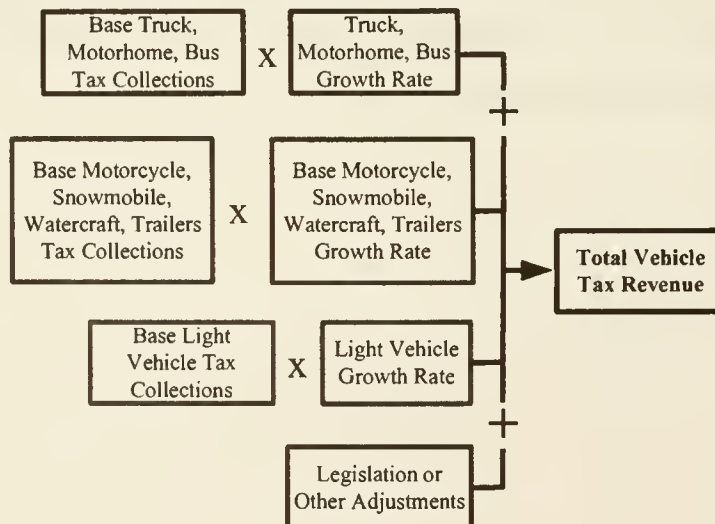
## Revenue Estimate Profile

### Vehicle Tax

#### Revenue Projection:



#### Forecast Methodology

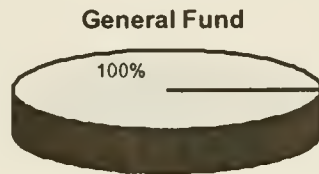


# Legislative Fiscal Division

## Revenue Estimate Profile

### Vehicle Tax

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Non-GF Tax</u>	<u>Legislation</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000				
Actual	2001				
Actual	2002	73.091930	73.127444	-0.035514	
Actual	2003	75.185832	75.185331	0.000501	
Actual	2004	83.606576	83.606576	0.000000	
Forecast	2005	80.360000	80.360000	0.000000	1.522901
Forecast	2006	80.140000	80.140000	0.000000	-0.589622
Forecast	2007	82.050000	82.050000	0.000000	-0.617298

	<u>t</u>	<u>Large</u>	<u>Motor</u>	<u>Light</u>	<u>Boats/</u>	<u>MCO</u>	<u>District</u>
	<u>Fiscal</u>	<u>Truck</u>	<u>Home</u>	<u>Vehicle</u>	<u>Snow</u>	<u>Registration</u>	<u>Courts</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000						
Actual	2001						
Actual	2002	5.383664	3.607418	54.602101	2.075694	7.458568	-0.035514
Actual	2003	5.116869	3.342342	56.961345	2.195942	7.568832	0.000000
Actual	2004	8.562457	4.484770	58.457160	3.980061	8.122128	0.000000
Forecast	2005	5.365426	3.504700	59.728299	2.302612	7.936496	0.000000
Forecast	2006	5.494196	3.588813	61.161778	2.357875	8.126972	0.000000
Forecast	2007	5.626057	3.674945	62.629661	2.414464	8.322019	0.000000

	<u>t</u>	<u>Large</u>	<u>Motor</u>	<u>Light</u>	<u>Boats/</u>	<u>MCO</u>
	<u>Fiscal</u>	<u>Truck</u>	<u>Home</u>	<u>Vehicle</u>	<u>Snow</u>	<u>Registration</u>
		<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003	0.028648	-0.049556	-0.073481	0.043208	0.057931
Actual	2004	0.111999	0.673378	0.341805	0.026260	0.812462
Forecast	2005	0.024000	0.024000	0.024000	0.024000	0.024000
Forecast	2006	0.024000	0.024000	0.024000	0.024000	0.024000
Forecast	2007	0.024000	0.024000	0.024000	0.024000	0.024000





# NATURAL RESOURCE TAXES

Coal Severance Tax  
Electrical Energy Tax  
Federal Forest Receipts  
Metalliferous Mines Tax

Oil & Natural Gas Production Tax  
Resource Indemnity Tax  
US Mineral Royalty  
Wholesale Energy Tax





# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance Tax

**Revenue Description:** For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax. Also exempt are two million tons of coal produced for feedstock (terminates December 31, 2005).

**Applicable Tax Rate(s):** 10.0% - on coal with a heating quality < 7,000 BTU  
15.0% - on coal with a heating quality > 7,000 BTU

<b>Distribution:</b> (Percentage)	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
<u>Account Name</u>	<u>1998-1999</u>	<u>2000-2002</u>	<u>2003</u>	<u>2004-2005</u>	<u>2006-2016</u>
Permanent Trust	25.00	0.00	0.00	12.50	0.00
Treasure State Endowment	25.00	37.50	37.50	25.00	25.00
TSEP Regional Water	0.00	12.50	12.50	12.50	12.50
Big Sky Economic Development	0.00	0.00	0.00	0.00	12.50
General Fund	25.25	26.79	33.04	27.40	26.79
LRBP - Cash Account	12.00	12.00	10.00	12.00	12.00
LRBP - Debt Service	1.30	0.00	0.00	0.00	0.00
Park Acquisition Trust	1.27	1.27	0.00	1.27	1.27
Cultural Trust	0.00	0.63	0.00	0.63	0.63
Cultural & Aesthetic Projects	0.87	0.00	0.00	0.00	0.00
Water Development	0.95	0.95	0.95	0.95	0.95
Oil, Gas & Coal Natural Res.	0.00	0.00	0.00	0.00	2.90
Shared Account *	8.36	8.36	6.01	7.75	5.46

\* Used for Growth Through Agriculture, State Library, Conservation Districts, Coal Board (before FY 2006), and County Land Planning (before FY 2004).

### Summary of Legislative Action:

House Bill 482 – The legislation, as coordinated with House Bill 758, revises the distribution of coal severance tax revenue to the state special revenue shared coal tax account. The distribution to this account is increased by 0.61 percent (to 5.46%) and distribution to the general fund is reduced by the same amount for a loss of \$192,772 in FY 2006 and \$196,835 in FY 2007. State special revenue increases by the same amounts. The legislation is effective July 1, 2005.

House Bill 758 – In addition to changes in coal severance tax revenue, the legislation also impacts oil and natural gas revenue. The revenue effects and details of the latter are shown in the oil and natural gas tax source section. The legislation removes the statutory allowance for coal severance tax revenue in the state special revenue shared coal tax account to be appropriated to the Coal Board to address local impacts. A separate distribution of 2.90 percent to the newly created oil, gas and coal natural resource state special revenue account is established and the percentage distribution to the shared coal tax account is reduced by 2.90 percent. There is no change in revenues, only a revenue distribution change of \$916,458 in FY 2006 and \$935,772 in FY 2007 from the shared coal tax account to the oil, gas and coal natural resource account.

#### Coal Severance Tax -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0482 Revise allocation of funds to coal tax shared account		(192,772)	(196,835)
HB0758 Oil, gas, and coal natural resource account fund			
Total Estimated General Fund Impact	\$0	(\$192,772)	(\$196,835)

# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance Tax

#### Statutory Reference:

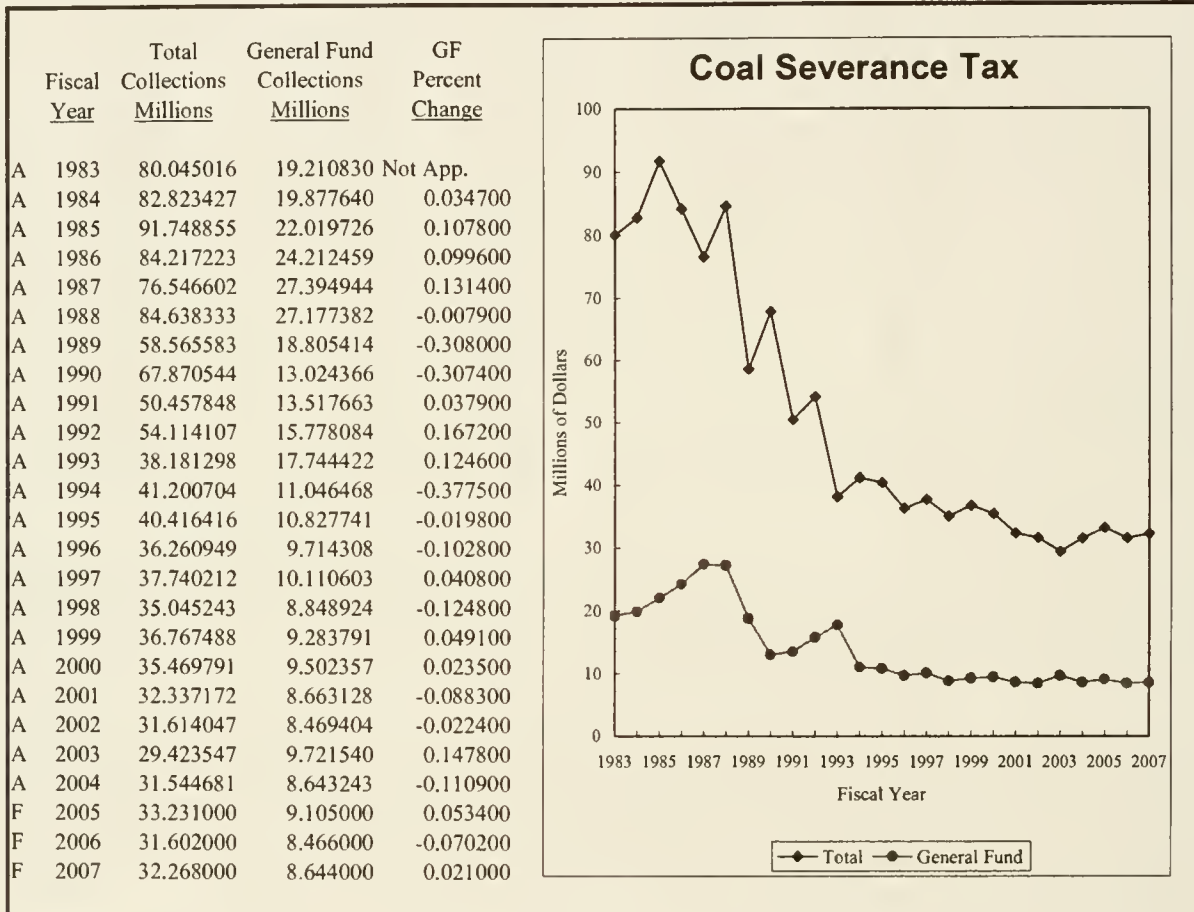
Tax Rate (MCA) – 15-35-103

Tax Distribution (MCA) – Montana Constitution, Article IX, Section 5; 15-35-108

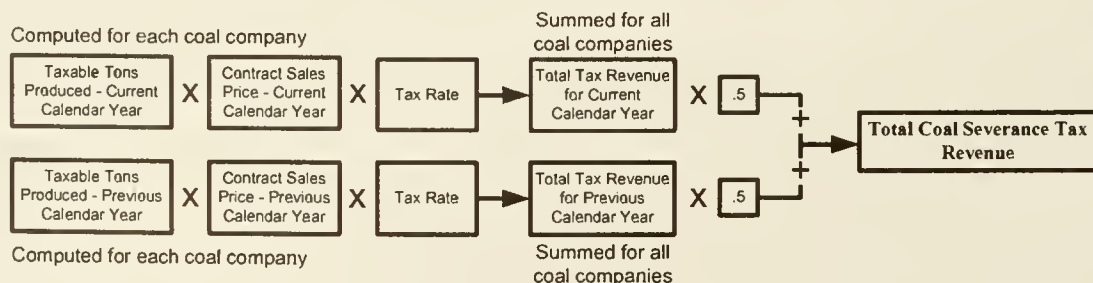
Date Due – the report to the Department of Revenue and tax is due 30 days following the close of the quarter (15-35-104)

% of Total FY 2004 General Fund Revenue: 0.63%

#### Revenue Projection:



#### Forecast Methodology



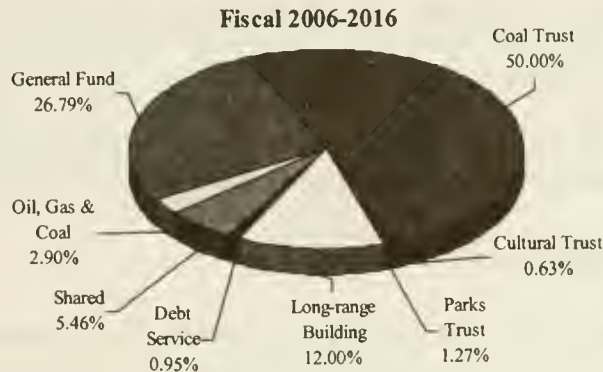


# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance Tax

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>GF Percent</u> <u>Allocation</u>
Actual	2000	35.469791	9.502357	0.267900
Actual	2001	32.337172	8.663128	0.267900
Actual	2002	31.614047	8.469404	0.267900
Actual	2003	29.423547	9.721540	0.330400
Actual	2004	31.544681	8.643243	0.274000
Forecast	2005	33.231000	9.105000	0.274000
Forecast	2006	31.602000	8.659000	0.274000
Forecast	2007	32.268000	8.841000	0.274000

	<u>t</u> <u>Cal</u>	<u>Tons (CY)</u> <u>Millions</u>	<u>CSP (CY)</u> <u>Dollars</u>	<u>Tax</u> <u>Rate</u>	<u>Tax</u> <u>Rate</u>	<u>Calendar</u> <u>Tax</u>	<u>Effective</u> <u>Rate</u>
Actual	2000	31.784308	6.588243	0.150000	0.100000	31.253448	0.149250
Actual	2001	32.961265	6.266994	0.150000	0.100000	30.883924	0.149510
Actual	2002	31.980880	6.583257	0.150000	0.100000	31.441574	0.149339
Actual	2003	30.802151	6.680719	0.150000	0.100000	30.701209	0.149194
Actual	2004	34.164750	6.759034	0.150000	0.100000	34.487210	0.149347
Forecast	2005	32.369750	6.617034	0.150000	0.100000	31.975630	0.149285
Forecast	2006	31.448250	6.656104	0.150000	0.100000	31.229857	0.149195
Forecast	2007	33.563250	6.649894	0.150000	0.100000	33.307748	0.149234

# Legislative Fiscal Division

## Revenue Estimate Profile

### Electrical Energy Tax

**Revenue Description:** The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax enacted by the 1999 legislature (HB 174).

**Applicable Tax Rate(s):** The tax of \$0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy.

**Distribution:** All proceeds are deposited into the general fund.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

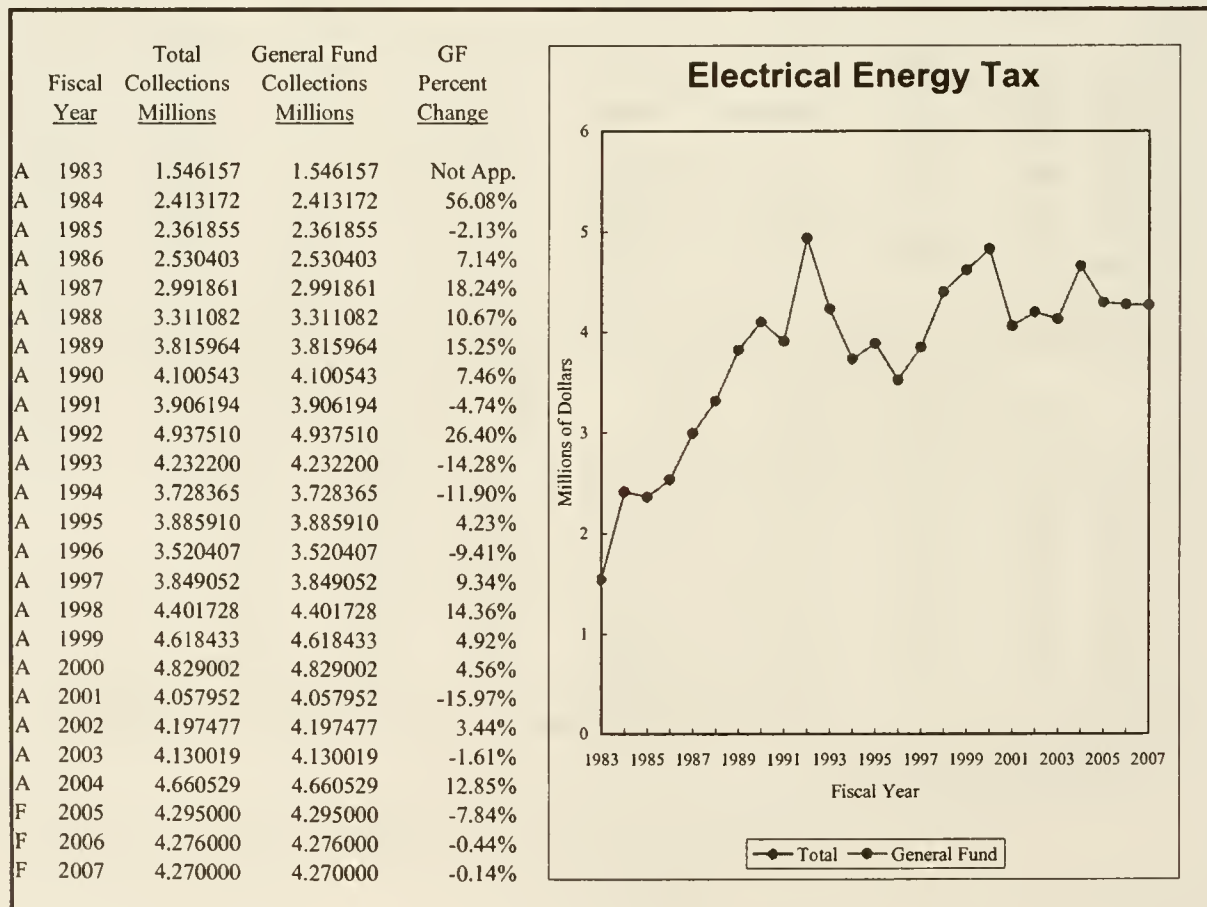
Tax Rate MCA) – 15-51-101

Tax Distribution (MCA) – 15-1-501(1), 15-51-103

Date Due – 30 days after the calendar quarter (15-51-101, 15-51-102)

**% of Total FY 2004 General Fund Revenue:** 0.34%

#### Revenue Projection:

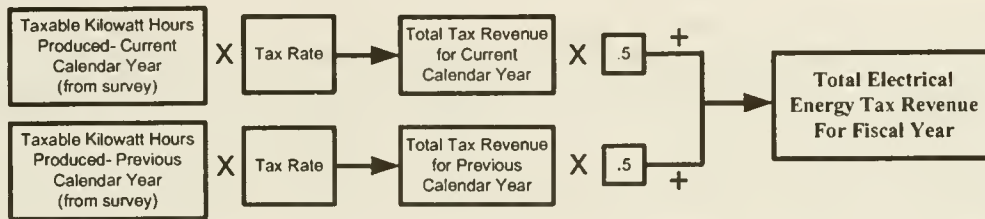


# Legislative Fiscal Division

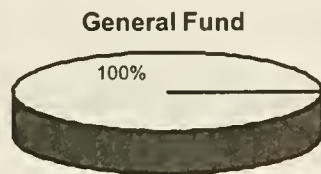
## Revenue Estimate Profile

### Electrical Energy Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>I</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>KWH CY</u>	<u>KWH FY</u>	<u>Credits</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>
Actual	2000	4.829002	4.829002	21518.947177	22937.761931	0.000189	0.000200
Actual	2001	4.057952	4.057952	21083.324572	20444.170990	0.000000	0.000200
Actual	2002	4.197477	4.197477	21440.954697	21642.219243	0.000000	0.000200
Actual	2003	4.130019	4.130019	21849.848310	21068.970125	0.000000	0.000200
Actual	2004	4.660529	4.660529	21030.155421	22310.179496	0.000000	0.000200
Forecast	2005	4.295000	4.295000	21916.931000	21473.543211	0.000000	0.000200
Forecast	2006	4.276000	4.276000	20837.419000	21377.175000	0.000000	0.000200
Forecast	2007	4.270000	4.270000	21598.666000	21345.792855	0.000000	0.000200

# Legislative Fiscal Division

## Revenue Estimate Profile

### Federal Forest Receipts

**Revenue Description:** The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. The state receives 25 percent of the federal forest receipts. The state sends the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

Beginning November 2000, HR 2389 (federal legislation) fixed the allocation to the state at the average of the highest three years of forest receipts in the state. In subsequent years, the amounts are increased by one-half the rural CPI. No more than 20 percent and no less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

**Applicable Tax Rate(s):** N/A

**Distribution:** The county treasurer apportions federal forest receipts in the following manner:

- 66 2/3% to the general fund of the county
- 33 1/3% to the following county wide accounts, based on the mill ratios of each to total mills in the current year:
  - the county equalization accounts (55 mills)
  - the county transportation account
  - the county retirement accounts

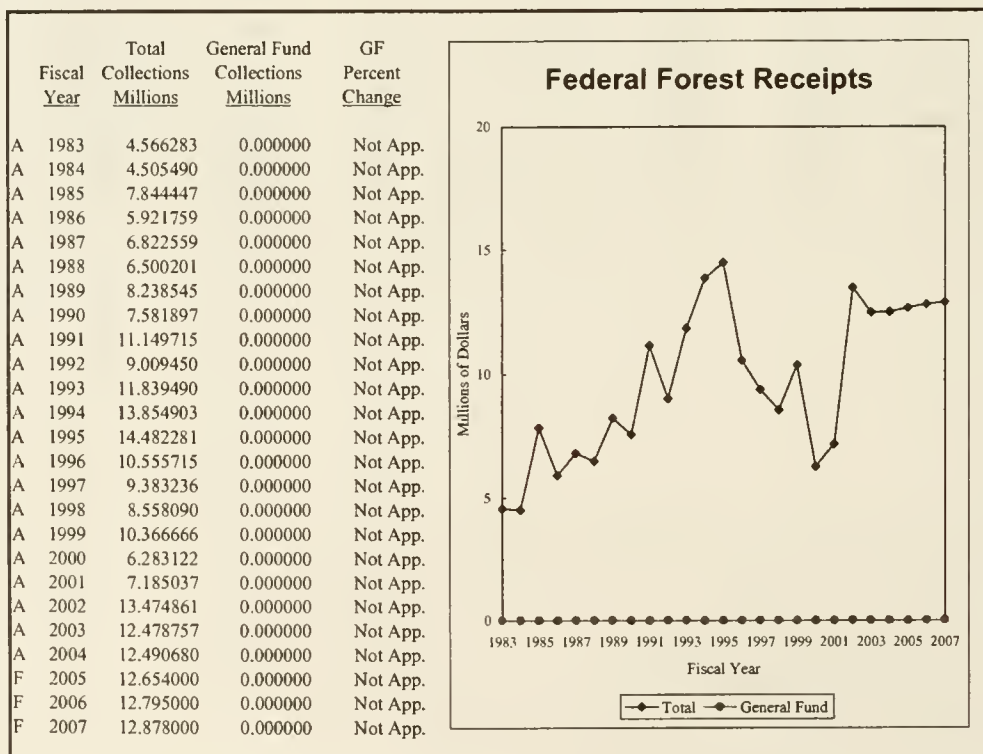
This revenue source represents one component used to calculate total non-levy property tax revenue.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

**Statutory Reference:** Tax Rate - NA  
Tax Distribution MCA) – 17-3-211, 17-3-212  
Date Due – the state treasurer distributes the funds within 30 days after receiving full payment

**% of Total FY 2004 General Fund Revenue:** Non levy is included in "Property Tax: 55 mills".

#### Revenue Projection:





# Legislative Fiscal Division

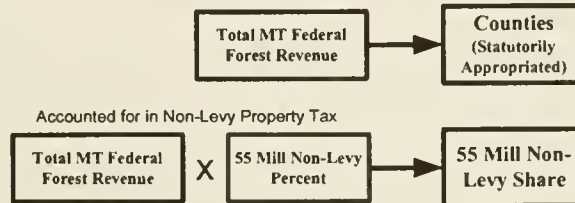
## Revenue Estimate Profile

### Federal Forest Receipts

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>CPI Percent</u> <u>Change</u>	<u>50% CPI %</u> <u>Change</u>
Actual	2000	6.283122	0.000000	3.2993%	
Actual	2001	7.185037	0.000000	2.8455%	
Actual	2002	13.474861	0.000000	1.5810%	
Actual	2003	12.478757	0.000000	2.2790%	0.8000%
Actual	2004	12.490680	0.000000	2.6087%	1.1395%
Forecast	2005	12.654000	0.000000	2.2246%	1.3044%
Forecast	2006	12.795000	0.000000	1.2953%	1.1123%
Forecast	2007	12.878000	0.000000	1.6880%	0.6477%

# Legislative Fiscal Division

## Revenue Estimate Profile Metalliferous Mines Tax

**Revenue Description:** The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. Senate Bill 30, enacted in the August 2002 special legislative session, revised the payment of taxes from once to twice a year. In doing so, the exemptions in the following table apply to each 6-month period rather than a full year as it was prior to Senate Bill 30. A company taxed at both rates can claim both exemptions.

**Applicable Tax Rate(s):** The tax rate for a 6-month period is as follows:

Gross value is defined as monetary amounts or refined metal received for the products less:

1. Basic treatment and refinery charges
2. Transportation costs from the mine to a mill or other processor
3. Quantity and price deductions
4. Interest
5. Penalty metal, impurity and moisture deductions

For concentrates shipped to a smelter, mill, or reduction work:		For gold, silver, or any platinum group metal that is dore*, bullion, or matte* and that is shipped to a refinery:	
Gross Value	Rate	Gross Value	Rate
\$0-\$250,000	Exempt	\$0-\$250,000	Exempt
\$250,001 and Above	1.81%	\$250,001 and Above	1.6%
		* Dore: A mixture of gold and silver in cast bars Matte: A crude mixture of sulfides formed in smelting sulfide ores of metals	

**Distribution:** The distribution of the metal mines tax has been altered several times since the 1990s. Prior to the 2005 legislature, the most recent change had been enacted by the 2001 legislature in Senate Bill 484 (effective July 1, 2002) that created a hard-rock mining reclamation debt service fund to pay debt service on the \$8.0 million of bonds authorized for state costs related to hard-rock mining reclamation, operation, and maintenance. The 8.5 percent allocation of metalliferous mines tax revenue previously allocated to the orphan share account was allocated to the hard-rock mining reclamation debt service fund. The 2005 legislature increased the allocation to counties from 24 percent to 25 percent and decreased the general fund allocation from 58 percent to 57 percent. The table below shows recent historical distributions of the tax revenue.

Distribution of Metalliferous Mines Tax (Percent)						
	Fiscal 1994-1995	Fiscal 1996-1997	Fiscal 1998-2002	Fiscal 2003	Fiscal 2004-2005	Fiscal 2006&Beyond
General Fund	58.0	58.0	58.0	65.0	58.0	57.0
Counties	25.0	25.0	24.0	24.0	24.0	25.0
Hard Rock Reclamation Debt Service	0.0	0.0	0.0	8.5	8.5	8.5
Reclamation & Development Grants	0.0	4.8	7.0	0.0	7.0	7.0
Hard Rock Mining	1.5	1.5	2.5	2.5	2.5	2.5
RIT Trust	15.5	0.0	0.0	0.0	0.0	0.0
Groundwater Assessment	0.0	2.2	0.0	0.0	0.0	0.0
Abandoned Mines	0.0	8.5	0.0	0.0	0.0	0.0
Orphan Share	0.0	0.0	8.5	0.0	0.0	0.0
	100.0	100.0	100.0	100.0	100.0	100.0

### Summary of Legislative Action:

House Bill 700 – The distribution of the tax revenue to counties that experience fiscal and economic impacts due to mining is increased from 25 percent of total collections to 26 percent. The revenue is statutorily appropriated. The general fund distribution is decreased from 58 percent to 57 percent for a loss of \$92,000 in FY 2006 and \$95,000 in FY 2007. State special revenue increases by like amounts. The legislation is effective July 1, 2005.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

Metalliferous Mines Tax -- Legislation Passed by 59th Legislature  
Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0700 Revise allocation and use of metal mines license tax		(92,000)	(95,000)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$92,000)</u>	<u>(\$95,000)</u>

#### Statutory Reference:

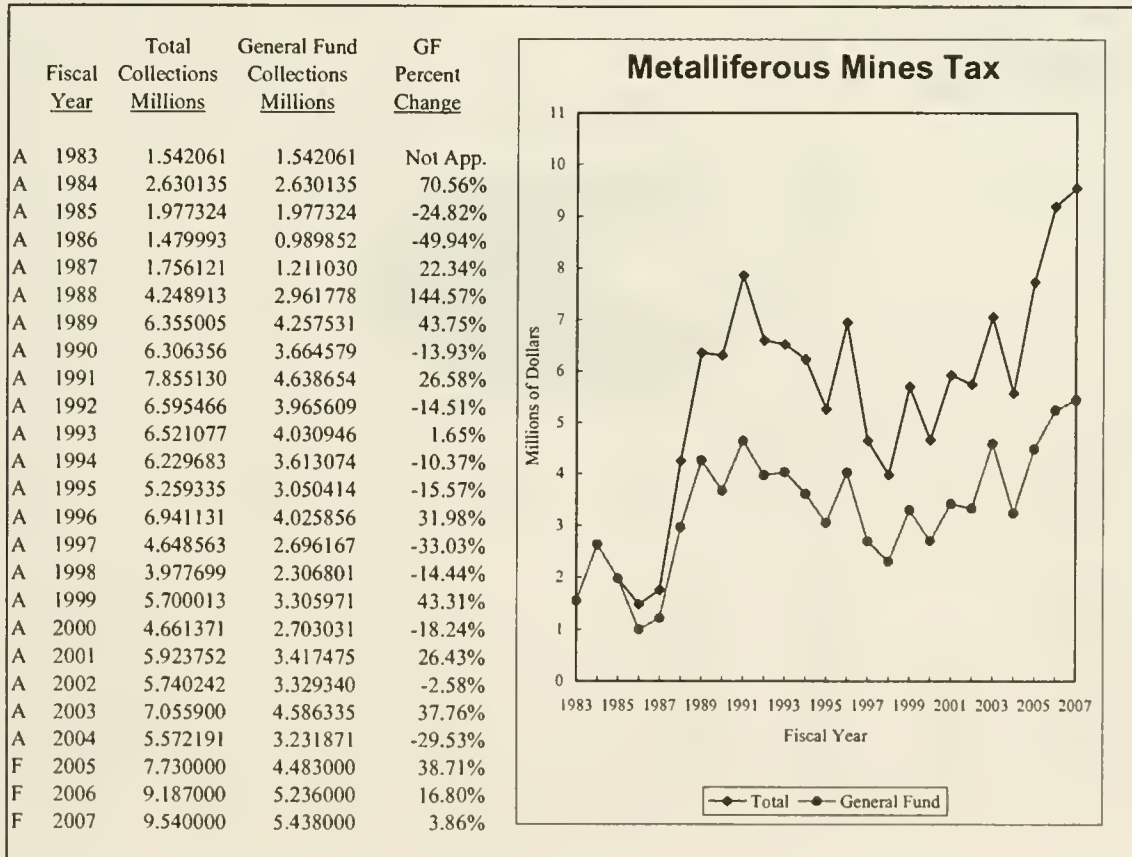
Tax Rate (MCA) – 15-37-103

Tax Distribution (MCA) – 15-37-117

Date Due – August 15<sup>th</sup> for period January through June, March 31<sup>st</sup> for period July through December (15-37-105)

% of Total FY 2004 General Fund Revenue: 0.23%

#### Revenue Projection:



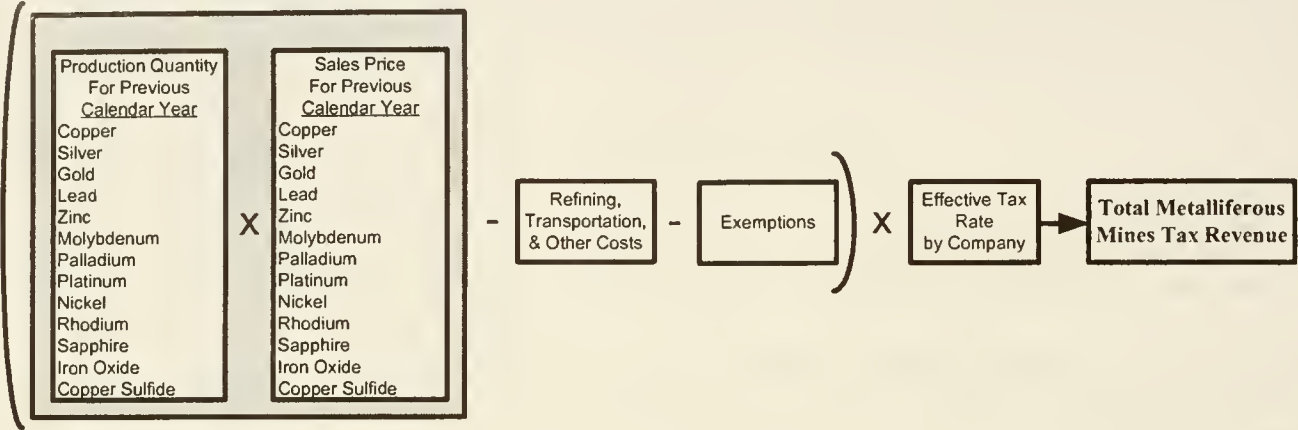
# Legislative Fiscal Division

## Revenue Estimate Profile

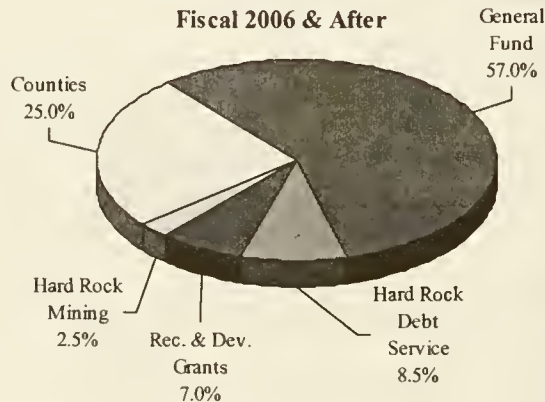
### Metalliferous Mines Tax

#### Forecast Methodology

Summed by Each Mining Company



#### Distribution Methodology





# Legislative Fiscal Division

## Revenue Estimate Profile Metalliferous Mines Tax

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Tax Value CY</u> <u>Millions</u>	<u>Effective CY</u> <u>Rate</u>	<u>GF Percent</u> <u>Allocation</u>
Actual	2000	4.661371	2.703031	369.117889		57.9879%
Actual	2001	5.923752	3.417475	355.643466		57.6911%
Actual	2002	5.740242	3.329340	303.045425		58.0000%
Actual	2003	7.055900	4.586335	347.630082		65.0000%
Actual	2004	5.572191	3.231871	387.519615	0.016870	58.0000%
Forecast	2005	7.730000	4.483000	532.112839	0.016770	58.0000%
Forecast	2006	9.187000	5.328000	565.574941	0.016710	58.0000%
Forecast	2007	9.540000	5.533000	577.641279	0.016670	58.0000%

<u>Comdty.</u> <u>Prod.</u>	<u>t</u> <u>Cal</u>	<u>Copper</u> <u>Millions</u>	<u>Silver</u> <u>Millions</u>	<u>Gold</u> <u>Millions</u>	<u>Lead</u> <u>Millions</u>	<u>Zinc</u> <u>Millions</u>	<u>Moly</u> <u>Millions</u>	<u>Palladium</u> <u>Millions</u>
Actual	2000	4.311635	1.579330	0.291116	10.105733	21.461326		
Actual	2001	0.279519	0.867094	0.273483	14.750164	24.383338		
Actual	2002	0.594816	0.431664	0.147947	6.454187	9.594224		
Actual	2003	3.586936	0.422095	0.299258	10.620022	14.550050		
Forecast	2004	71.659734	1.640266	0.043369	9.816497	20.153690		
Forecast	2005	74.044139	1.425798	0.158355	17.786185	40.152165		
Forecast	2006	74.154049	1.340358	0.227125	19.434992	50.168382		
Forecast	2007	74.209003	1.343814	0.270299	19.434992	50.168382		

<u>Comdty.</u> <u>Prod.</u>	<u>t</u> <u>Cal</u>	<u>Platinum</u> <u>Millions</u>	<u>Nickel</u> <u>Millions</u>	<u>Rhodium</u> <u>Millions</u>	<u>Sapphire</u> <u>Millions</u>	<u>Copper Sul</u> <u>Millions</u>	<u>Deduction</u> <u>Millions</u>	<u>Refining</u> <u>Millions</u>
Actual	2000		0.000000		0.000000	0.000000		-10.330456
Actual	2001		0.626935		0.000000	0.000000		-18.811518
Actual	2002		1.254207		0.000000	0.000000		-23.786060
Actual	2003		1.378746		0.000000	0.000000		-23.933463
Forecast	2004		1.419950		0.000000	0.000000	-2.500000	-33.942132
Forecast	2005		1.309809		0.000000	0.000000	-2.500000	-33.986215
Forecast	2006		1.447683		0.000000	0.000000	-2.500000	-36.395079
Forecast	2007		1.516621		0.000000	0.000000	-2.500000	-37.604512

# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

Comdty. Price	t Cal	Copper Dollars	Silver Dollars	Gold Dollars	Lead Dollars	Zinc Dollars	Moly Dollars	Palladium Dollars
Actual	2000	0.646454	4.603820	276.279562	0.200607	0.502159		
Actual	2001	0.624133	4.067554	267.641016	0.217897	0.377707		
Actual	2002	0.644951	3.801359	312.723867	0.201686	0.368474		
Actual	2003	0.463017	5.229937	366.865992	0.280168	0.416065		
Forecast	2004	0.886541	6.173955	399.953460	0.423382	0.487594		
Forecast	2005	0.995000	6.330000	411.080000	0.420000	0.490000		
Forecast	2006	0.910000	6.390000	421.740000	0.420000	0.490000		
Forecast	2007	0.845000	6.390000	437.730000	0.420000	0.490000		

Comdty. Price	t Cal	Platinum Dollars	Nickel Dollars	Rhodium Dollars	Sapphire Dollars	Copper Sul Dollars
Actual	2000				0.000000	0.000000
Actual	2001		2.024806		0.000000	0.000000
Actual	2002		2.905846		0.000000	0.000000
Actual	2003		4.101375		0.000000	0.000000
Forecast	2004		6.295315		0.000000	0.000000
Forecast	2005		6.300000		0.000000	0.000000
Forecast	2006		6.300000		0.000000	0.000000
Forecast	2007		6.300000		0.000000	0.000000

# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

**Revenue Description:** The oil and natural gas production tax is imposed on the production of petroleum and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production.

**Applicable Tax Rate(s):** The oil and natural gas production tax has numerous tax rates depending on several factors. These factors include whether the oil or gas is produced from a stripper well, a stripper incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or 18 months, and whether the interest being taxed is the working interest or the royalty interest. The Board of Oil and Gas Conservation imposes an additional privilege and license (P & L) tax on all oil and natural gas tax rates. For the 2007 biennium, the P&L tax rate is 0.26 percent. HB 758, described below, allows an additional tax rate of 0.04 percent to generate revenue for local impacts for local governments. The two taxes may not exceed 0.3 percent. The following table shows tax rate percentages for each type of pre-1999 oil and post-1999 oil, excluding the P & L tax and the new Local Impact tax. The quarterly tax rates on stripper production and on incremental production are lower than that for regular production unless the price of West Texas Intermediate averages above \$30 for the quarter. Similarly, the quarterly tax rate for stripper well exemption production (1-3 barrels a day) is lower than that for regular production unless the price of West Texas Intermediate averages above \$38 for the quarter.

**Oil and Natural Gas Production Tax Rates \***

Oil Production	Tax Rates
<b>Working Interests</b>	
Pre 99 after 12 Months (Regular)	12.50%
Post 99 First 12 Months (New)	0.50%
Post 99 after 12 months (Regular)	9.00%
Stripper 4-10 barrels per day	5.50%
Stripper 11-15 barrels per day	9.00%
Stripper Well Exemption (1-3 barrels per day)	0.50%
Pre99 Horizontal after 18 months	12.50%
Post 99 Horizontal first 18 months	0.50%
Post 99 Horizontal after 18 months	9.00%
Incremental - secondary	8.50%
Incremental - tertiary	6.80%
Pre99 Horizontal Recomp - after 18 months	12.50%
Post99 Horizontal Recomp - first 18 months	5.50%
Post99 Horizontal Recomp - after 18 months	9.00%
<b>Royalty Interests</b>	14.80%
<b>Natural Gas Production</b>	
<b>Working Interests</b>	
Pre-99 after 12 months	14.80%
Post 99 first 12 months	0.50%
Post 99 after 12 months	9.00%
Pre 99 stripper wells	11.00%
Horizontal first 18 months	0.50%
Horizontal after 18 months	9.00%
<b>Royalty Interests</b>	14.80%
If the West Texas price of oil exceeds \$30/bbl in a quarter, the rates for stripper and incremental oil are 9.26%. If prices exceed \$38/bbl the rate for stripper exemption oil is also 9.26%.	
* Excluding the P & L and Local Impact tax rates	

**Distribution:** Once the oil and natural gas production taxes have been collected, the revenue is first distributed based on the amounts collected from the P & L and Local Impact taxes. The amounts from the P & L tax is distributed to the: 1) Board of Oil and Gas Conservation; and 2) the Legislative Services Division - \$50,000 only in the 2007 biennium (see HB 790 below). The amounts from the Local Impact tax are distributed to the oil, gas, and coal natural resource state special revenue account (see HB 758 below). The amounts received by Board and the oil, gas, and coal natural resource account vary based on a sliding scale based on the P & L tax set by the Board. Counties producing oil receive the next share of total revenue with each county having its own distribution



# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

percentage of total revenue, including the revenue generated by the P & L and Local Impact taxes. The remainder of the revenue is distributed to other state accounts in the following manner:

#### Fiscal 2004 through Fiscal 2011

- Coal bed methane account – 1.23%
- Reclamation and development account – 2.95%
- Orphan share account – 2.95%
- University system 6 mill levy account – 2.65%
- General fund – the remainder (90.22%)

The distributions of county shares and the amount of oil and natural gas production tax revenue deposited in the oil, gas, and coal natural resource account are statutorily appropriated and are based on the statutorily set percentages for each county.

#### Summary of Legislative Action:

House Bill 535 – A new tax category is created out of the “stripper well exemption” category called “stripper well bonus” which is defined as being production from a stripper well that produces three barrels a day or less. If the price of west Texas intermediate crude oil is \$38 a barrel or greater, the working interest share of pre-1999 well oil categorized as “stripper well exemption” and “stripper well bonus” production is taxed at the rate of 6.0 percent. Previously the rate had been 12.5 percent. If the price of west Texas intermediate crude oil falls below \$38 a barrel, the tax rate for both categories remain at the current rate of 0.5 percent. The tax rate reduction results in a general fund loss of \$374,404 in FY 2006 and \$305,992 in FY 2007. State special revenue is reduced by \$452,269 in FY 2006 and \$369,629 in FY 2007. Most of the reduction in state special revenue is a reduction in the statutorily appropriated distribution to counties of \$411,684 in FY 2006 and \$336,459 in FY 2007. The legislation is effective July 1, 2005 and applies to oil produced and sold from July 1, 2005.

House Bill 592 – The legislation revises the method used to determine penalty and interest on overdue income taxes, corporate taxes, withholding taxes, oil and natural gas taxes, and coal severance taxes. The revenue effects and details of the fiscal impacts on the other revenue sources are shown in the respective revenue source section. The table below summarizes the changes.

HB 592 - Changes in Penalties and Interest Rates			
Penalty Provisions Apply to Individual Income, Corporate and Withholding Taxpayers, Oil and Gas Production Taxes and Coal Severance Taxes			
Type of Penalty/Interest	Previous Law Amount	SB 592 Amount	Effective Date
Late Pay Penalty Rate	1.5 % per month on unpaid balance not to exceed 18% of taxes due from time of notification	1.2% per month on unpaid balance not to exceed 12% of taxes due from time of tax due	January 1, 2007
Purposeful Late Pay Penalty	lesser of 25% of amount due or \$200	Not less than \$1,000 and not more than \$10,000	January 1, 2007
Interest - Individual Income Tax	12 % per Year	Rate is 8% or rate based on IRS Code 26 computed from due date but updated each 4th quarter, whichever is greater	January 1, 2007
Time Window in Which Penalty and Interest is Calculated	From the time of notice	From the time tax is due	July 1, 2005

General fund oil and natural gas tax revenue is expected to increase \$1,337 each fiscal year. The full impact of all provisions will not be realized until FY 2008 when an \$878,004 loss in all impacted general fund revenue sources will be realized.

House Bill 758 - In addition to changes in oil and natural gas revenue, the legislation also affects the distribution of coal severance tax revenue. The revenue effects and details of the latter are shown in the coal severance tax revenue source section. The legislation creates a new oil, gas and coal natural resource state special revenue account and distributes a portion of oil and natural gas tax revenue to the account based on the unused portion of the P & L tax authority set by the Board of Oil and Gas Conservation. The total tax authority between the two cannot exceed 0.3 percent and the base rate for the oil, gas and coal natural resource account is 0.08 percent except when the privilege and license tax rate: 1) exceeds 0.22 percent, then the oil, gas and coal natural resource account rate is 0.3 percent less the amount of the rate adopted by the Board; or 2) is less than 0.18 percent, then the oil, gas and coal natural resource account rate

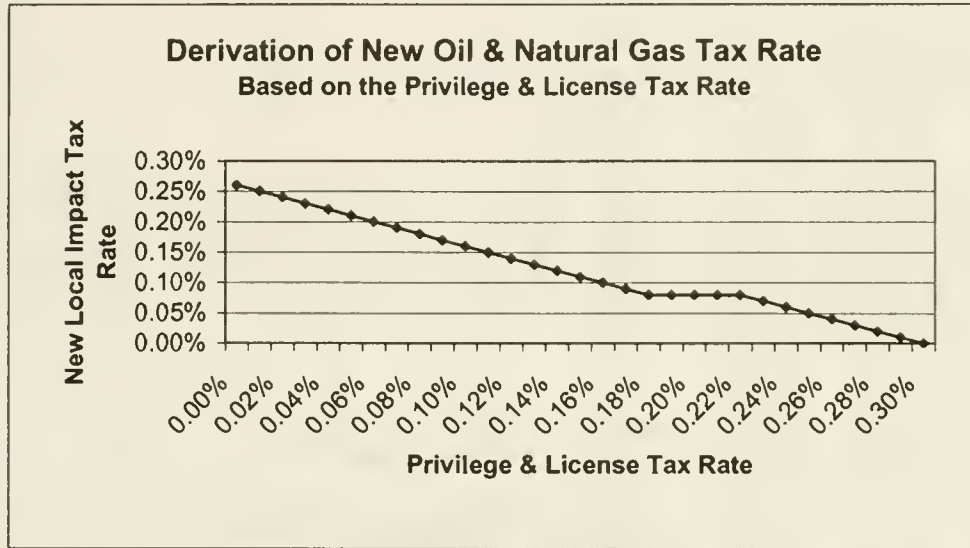


# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

is 0.26 percent less the amount of the rate adopted by the Board (see the chart below). State special revenue from oil and natural gas production tax revenue deposited to the account is estimated to be \$1,205,959 in FY 2006 and \$1,272,219 in FY 2007. Revenue deposited to the Board of Oil and Gas Conservation state special revenue account is reduced by the same amounts for no net change in state special revenue. Money from the oil and natural gas production tax revenue deposited in the oil, gas and coal natural resource account is statutorily appropriated to the Department of Revenue for distribution to applicable counties, cities, and towns based on statutory percentages and allocations. The legislation is effective July 1, 2005 and applies to production occurring from that date.



House Bill 790 – The legislation does not change the amount of oil and natural gas production tax revenue, but it does change the distribution of tax revenue. In the 2007 biennium, the Legislative Services Division is allocated up to \$50,000 of the tax revenue collected from the P & L tax. The money is to be used to study split estates of property between mineral owners and surface owners related to oil and gas development and coal bed methane reclamation and bonding. HB 790 appropriates \$50,000 of state special revenue to the Legislative Services Division for use by the Environmental Quality Council. The legislation is effective on passage and approval and terminates September 15, 2006.

**Oil & Natural Gas Production Tax -- Legislation Passed by 59th Legislature  
Estimated General Fund Impact for the 2007 Biennium**

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0535 Revise taxation of stripper well production		(374,404)	(305,992)
HB0592 Standardize penalty and interest calculations for taxes		1,337	1,337
HB0758 Oil, gas, and coal natural resource account fund			
HB 790 Interim study on split estates & coal bed methane reclamation & bonding			
<b>Total Estimated General Fund Impact</b>	<b>\$0</b>	<b>(\$373,067)</b>	<b>(\$304,655)</b>

#### Statutory Reference:

Tax Rate (MCA) – 15-36-30. Privilege and license tax – 82-11-131, Administrative Rules 36.72.1242  
Tax Distribution (MCA)– 15-36-331(4), 15-36-332(2&3) (to taxing units)  
Date Due – within 60 days after the end of the calendar quarter (15-36-311(1))

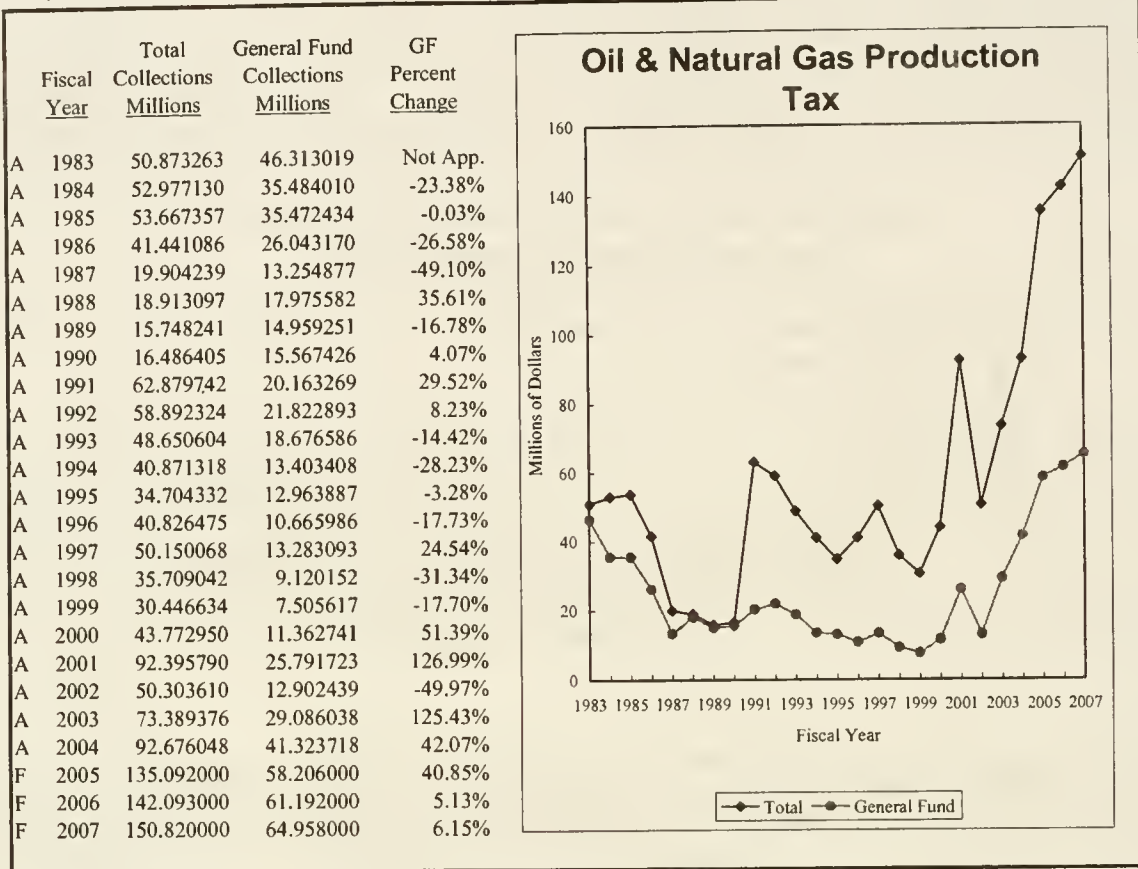
**% of Total FY 2004 General Fund Revenue: 2.99%**

# Legislative Fiscal Division

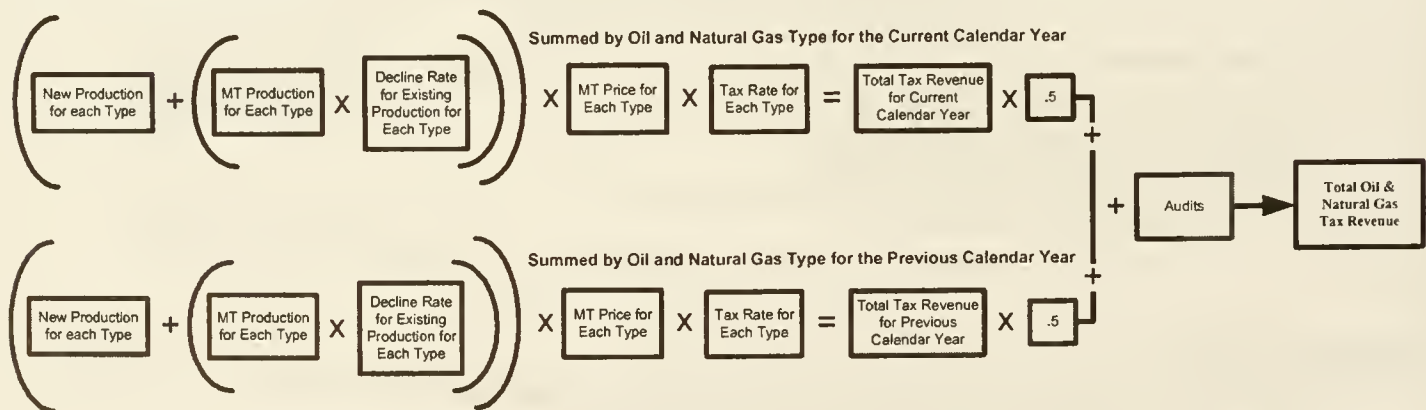
## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

#### Revenue Projection:



#### Forecast Methodology

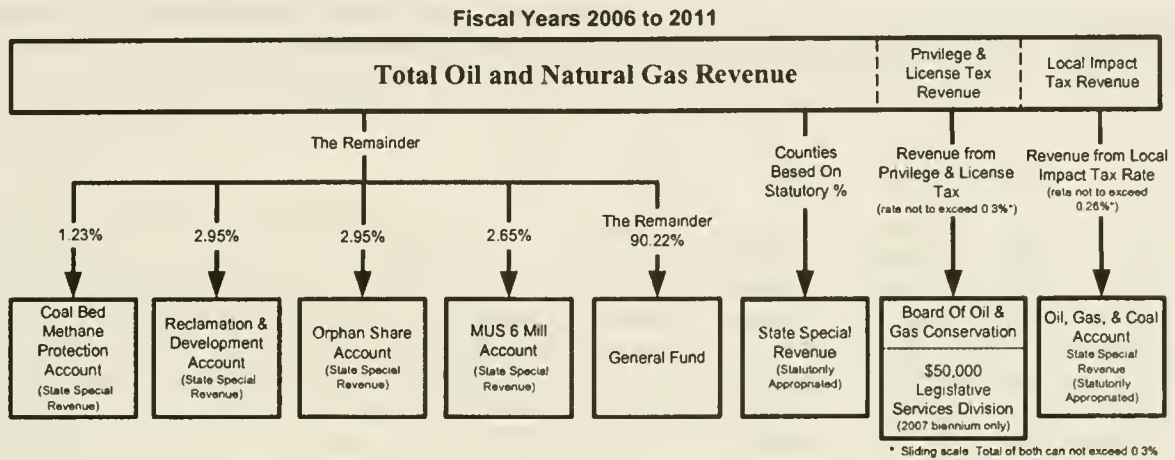


# Legislative Fiscal Division

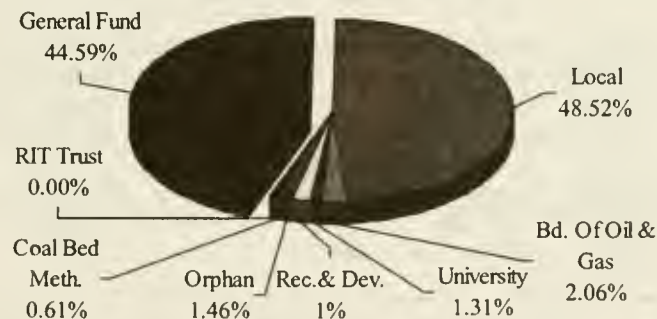
## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

#### Distribution Methodology



**Oil & Natural Gas Production**  
Based on Fiscal 2004 Actual Amounts



Because the exact distribution of oil & natural gas revenue will vary depending on various factors, the chart only reflects fiscal 2004 actual distributions. Please see the table above for exact distribution percentages.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Composite</u> <u>GF Allocation</u>	<u>Audits</u> <u>Millions</u>
Actual	2000	43.772950	11.362741	0.259584	
Actual	2001	92.395790	25.791723	0.279144	
Actual	2002	50.303610	12.902439	0.256491	
Actual	2003	73.389376	29.086038	0.396325	2.436178
Actual	2004	92.676048	41.323718	0.445894	1.687625
Forecast	2005	135.092000	58.206000	0.430863	0.000000
Forecast	2006	142.918000	61.565000	0.430773	0.000000
Forecast	2007	151.494000	65.263000	0.430795	0.000000

<u>Oil</u>	<u>t</u> <u>Cal</u>	<u>Barrels</u> <u>Millions</u>	<u>Price</u> <u>Per Barrel</u>	<u>Gross Value</u> <u>Millions</u>	<u>Exempt Value</u> <u>Millions</u>	<u>Effective</u> <u>Tax Rate</u>	<u>Total Tax</u> <u>Millions</u>
Actual	2000	15.770217	27.666849	436.312212	15.727729	0.114821	48.291803
Actual	2001	15.981505	22.816391	364.640267	13.200286	0.102083	35.876151
Actual	2002	16.923825	23.119530	391.270880	14.031874	0.100083	37.755024
Actual	2003	19.391933	28.004264	543.056811	18.777257	0.095372	50.001667
Actual	2004	22.324142	46.000000	1033.660140	29.461103	0.090741	91.122199
Forecast	2005	27.472205	39.560000	1100.211088	21.455019	0.084456	91.107383
Forecast	2006	29.439027	37.730000	1125.691974	23.349770	0.090129	99.353341
Forecast	2007	33.516965	37.930000	1291.849434	30.139110	0.085875	108.349450

<u>Gas</u>	<u>t</u> <u>Cal</u>	<u>MCF's</u> <u>Millions</u>	<u>Price</u> <u>Per MCF</u>	<u>Gross Value</u> <u>Millions</u>	<u>Exempt Value</u> <u>Millions</u>	<u>Effective</u> <u>Tax Rate</u>	<u>Total Tax</u> <u>Millions</u>
Actual	2000	66.163277	2.901700	191.985981	9.066332	0.106032	19.395351
Actual	2001	76.713082	3.188642	244.610555	11.319744	0.104020	24.266868
Actual	2002	79.531692	2.230608	177.404028	11.569839	0.104259	17.289646
Actual	2003	80.327001	3.983935	320.017551	15.043266	0.099219	30.259247
Actual	2004	89.464491	5.410000	480.389295	19.884321	0.094157	43.359949
Forecast	2005	100.744115	5.050000	501.928333	14.229815	0.091439	44.594685
Forecast	2006	107.368498	5.470000	577.138593	16.941270	0.090648	50.780937
Forecast	2007	116.047644	4.480000	509.482569	16.789829	0.090329	44.504570



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Tax

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**Revenue Description:** The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal, as well as most minerals, but not metals and oil and natural gas. Prior to July 1, 2002 when the Governor by executive order certified to the Secretary of State that the resource indemnity trust balance had reached \$100 million, a portion of oil and natural gas taxes had been distributed under the same methodology as the RIGWA tax. Once the RIT balance reached \$100 million, this portion of oil and natural gas taxes no longer has a connection to the RIGWA tax. The RIGWA tax on all other production is specific to each resource as described below.

**Applicable Tax Rate(s):** The applicable rates are as follows:

Coal: \$25 plus 0.4% of the gross value of coal produced in the preceding year in excess of \$6,250

Minerals: \$25 plus 0.5% of the gross value of minerals (excluding metals and excluding oil and natural gas because the resource indemnity trust has reached \$100 million) produced in the preceding year in excess of \$5,000

Talc: \$25 plus 0.4% of the gross value of talc produced in the preceding year in excess of \$625

Vermiculite: \$25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of \$1,250

Limestone: \$25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of \$250

Garnets: \$25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of \$2,500

**Distribution:** Beginning fiscal 2004, the amount needed to cover debt service on CERCLA bonds (after amounts transferred from the CERCLA cost recovery account) is deposited to the CERCLA match debt service account. The remainder of RIGWA tax proceeds is distributed in the following order:

1. \$366,000 each year to the ground water assessment account
2. 50.0% of the remainder to the reclamation and development grants account
3. the amount needed to maintain a \$150,000 balance in the natural resource worker scholarship account (enacted by the 2001 legislature in Senate Bill 322 and terminates the end of fiscal 2007)
4. the remainder to the orphan share account (terminates the end of fiscal 2007)

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

Tax Rate (MCA) – 15-38-104

Tax Distribution (MCA) – 15-38-106, 39-10-106

Date Due from metal producers – March 31st following the end of the calendar year (15-38-105, 15-38-106(1))

Date Due from mineral producers – 60 days following the end of the calendar year (15-38-105, 15-38-106(1))

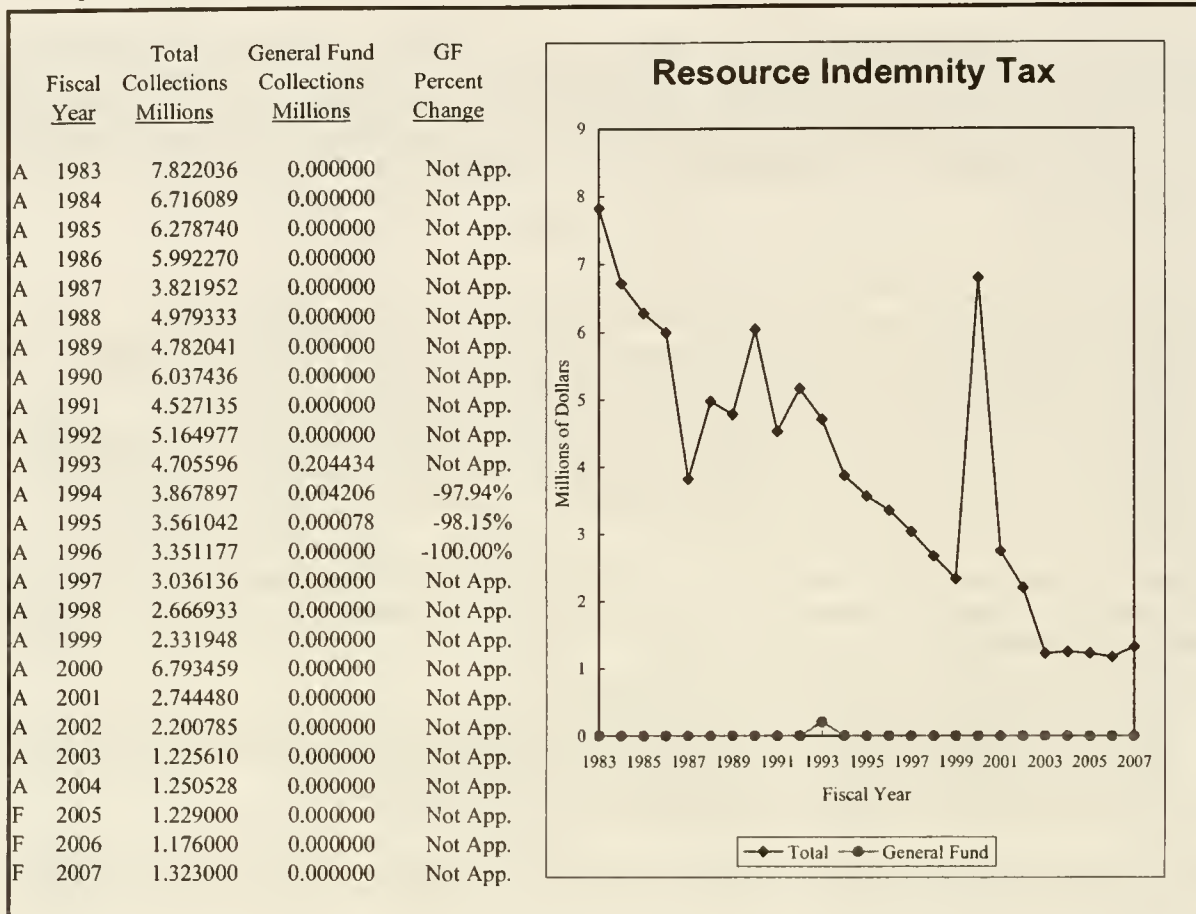
**% of Total FY 2004 General Fund Revenue:** N/A

# Legislative Fiscal Division

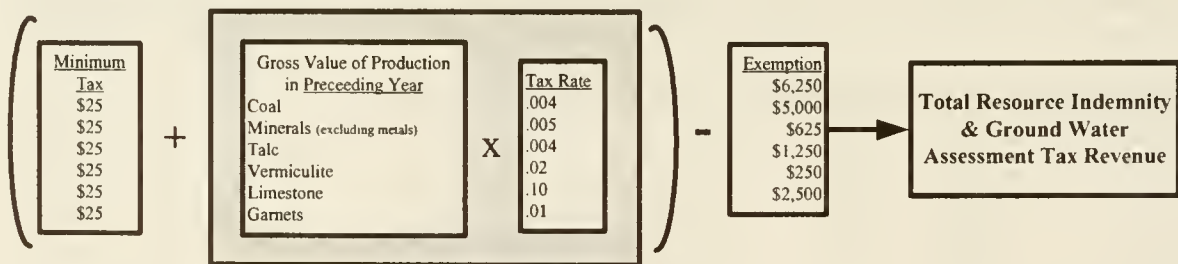
## Revenue Estimate Profile

### Resource Indemnity Tax

#### Revenue Projection:



#### Forecast Methodology

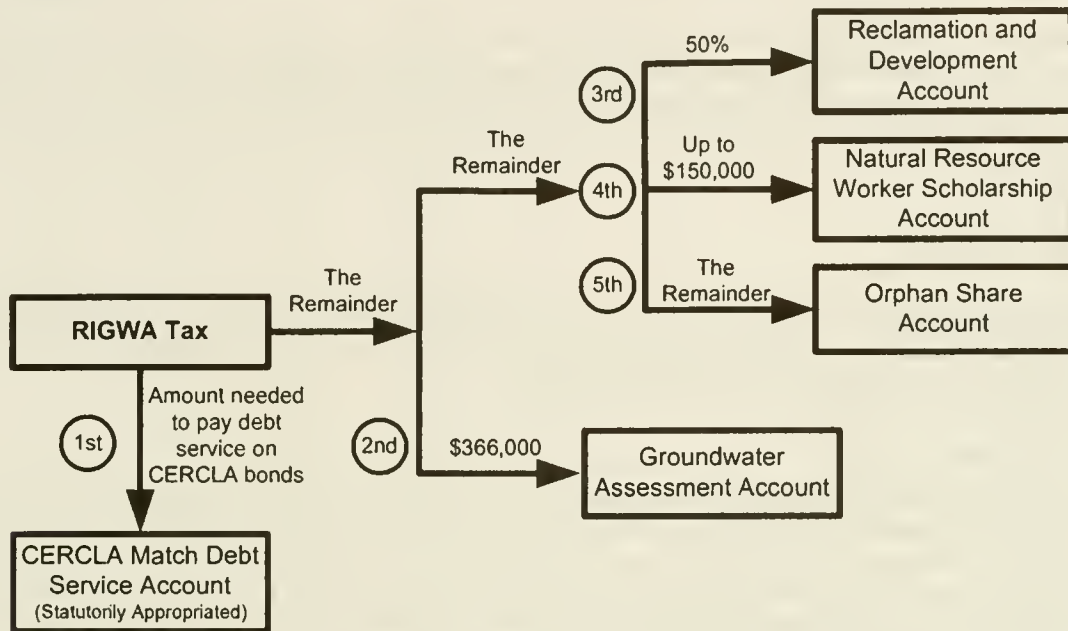


# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Tax

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Oil</u> <u>Millions</u>	<u>Natural Gas</u> <u>Millions</u>	<u>Coal</u> <u>Millions</u>	<u>Metals</u> <u>Millions</u>	<u>Other</u> <u>Millions</u>
Actual	2000	6.793459	0.000000	0.851792	0.159668	0.906413	0.000000	0.239000
Actual	2001	2.744480	0.000000	1.667407	0.000000	0.838000	0.000000	0.372000
Actual	2002	2.200785	0.000000	0.976477	0.000000	0.826000	0.000000	0.407000
Actual	2003	1.225610	0.000000	0.000000	0.000000	0.842000	0.000000	0.387000
Actual	2004	1.250528	0.000000	0.001614	0.000000	0.823000	0.000000	0.353000
Forecast	2005	1.229000	0.000000	0.000000	0.000000	0.842000	0.000000	0.387000
Forecast	2006	1.176000	0.000000	0.000000	0.000000	0.823000	0.000000	0.353000
Forecast	2007	1.323000	0.000000	0.000000	0.000000	0.924000	0.000000	0.399000

	<u>t</u> <u>Fiscal</u>	<u>Trust Other</u> <u>Millions</u>	<u>Trust Metal</u> <u>Millions</u>	<u>Renewable</u> <u>Millions</u>	<u>Ground</u> <u>Millions</u>	<u>Reclamation</u> <u>Millions</u>	<u>Orphan</u> <u>Millions</u>	<u>Trust Balance</u> <u>Millions</u>
Actual	2000	3.391472	0.000000	0.000000	0.521579	1.440204	1.440204	96.404163
Actual	2001	2.205880	0.000000	0.000000	0.300000	0.119300	0.119300	100.373547
Actual	2002	1.588631	0.000000	0.000000	0.300000	0.156077	0.156077	102.065653
Actual	2003	0.000000	0.000000	0.000000	0.366000	0.429805	0.279805	100.000965
Actual	2004	-0.000188	0.000000	0.000000	0.366000	0.442358	0.442358	100.002390
Forecast	2005	0.252454	0.000000	0.000000	0.113546	0.431500	0.337992	100.254844
Forecast	2006	0.000000	0.000000	0.000000	0.366000	0.318000	0.318492	100.254844
Forecast	2007	0.000000	0.000000	0.000000	0.366000	0.312000	0.311492	100.254844

# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

**Revenue Description:** Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0 percent of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

**Applicable Tax Rate(s):** N/A

**Distribution:** With the enactment of Senate Bill 212 by the 2005 legislature, receipts are deposited 75 percent to the general fund and 25 percent to the state special revenue mineral impact account. Money in the mineral impact account is statutorily appropriated for distribution to eligible counties in which the minerals were extracted.

#### Summary of Legislative Action:

Senate Bill 212 – Prior to enacting SB 212, all US mineral royalty revenue was deposited to the general fund and on August 15<sup>th</sup>, 25 percent of the revenue was transferred out of the general fund to the state special revenue mineral impact account. This legislation earmarks 25 percent of the revenue directly to the mineral impact account. Money in the account is statutorily appropriated for distribution to eligible counties. Because of the earmarking, general fund revenue is reduced \$8,959,250 in fiscal 2005, \$8,904,000 in FY 2006 and \$9,321,000 in FY 2007 and state special revenue increases by the same amounts. However, transfers in the same amounts out of the general fund are eliminated for a net zero impact to the general fund balance. The legislation is effective July 1, 2005.

#### US Mineral Royalty -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
SB0212 Revise allocation and distribution of federal mineral leasing funds	(8,959,250)	(8,904,000)	(9,321,000)
Total Estimated General Fund Impact	<u>(\$8,959,250)</u>	<u>(\$8,904,000)</u>	<u>(\$9,321,000)</u>

#### Statutory Reference:

Tax Rate – NA

Distribution – 17-3-240, MCA

**% of Total FY 2004 General Fund Revenue:** 2.08%

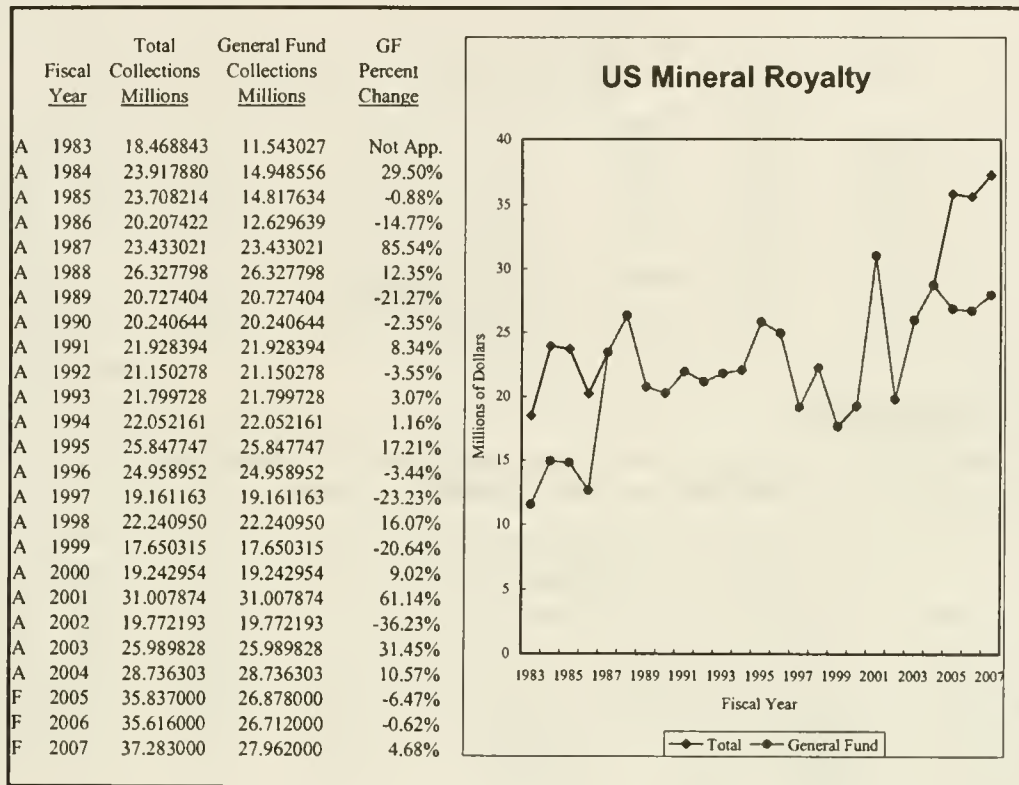


# Legislative Fiscal Division

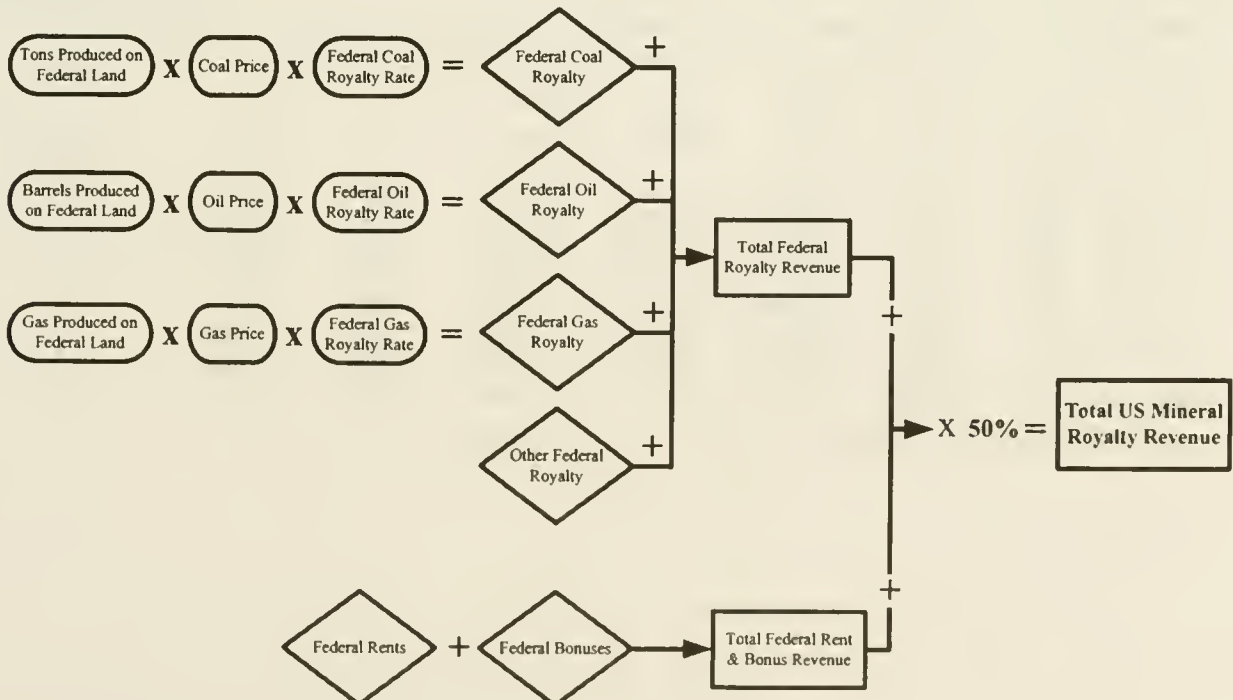
## Revenue Estimate Profile

### US Mineral Royalty

#### Revenue Projection:



#### Forecast Methodology

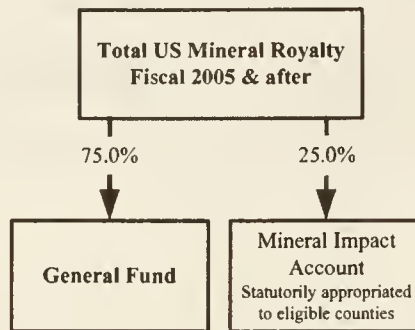


# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>1</u> <u>Fiscal</u>	<u>Total Rev.</u> <u>Millions</u>	<u>GF Rev.</u> <u>Millions</u>	<u>One-Time</u> <u>Settlement</u> <u>Millions</u>
Actual	2000	19.242954	19.242954	
Actual	2001	31.007874	31.007874	6.038000
Actual	2002	19.772193	19.772193	0.000000
Actual	2003	25.989828	25.989828	0.000000
Actual	2004	28.736303	28.736303	0.000000
Forecast	2005	35.837000	35.837000	0.000000
Forecast	2006	35.616000	35.616000	0.000000
Forecast	2007	37.283000	37.283000	0.000000

	<u>1</u> <u>Cal</u>	<u>Oil</u> <u>Barrels</u>	<u>Coal</u> <u>Tons</u>	<u>Gas</u> <u>MCF's</u>	<u>Oil</u> <u>Price</u>	<u>Coal</u> <u>Price</u>	<u>Gas</u> <u>Price</u>
Actual	2000	2.844204	23.263951	18.562337	26.936413	8.896481	3.716299
Actual	2001	2.882311	24.008898	21.522120	22.214013	8.184205	4.083795
Actual	2002	3.052261	23.165885	22.312886	22.509148	8.815356	2.856810
Actual	2003	3.497391	20.394951	22.536015	27.264920	8.828832	5.102352
Actual	2004	4.026224	21.698585	25.099577	44.785548	9.448163	6.928758
Forecast	2005	4.954691	19.528049	25.126072	38.515572	9.133755	6.467695
Forecast	2006	5.309412	20.564988	24.017871	36.733886	9.285253	7.005602
Forecast	2007	6.044877	22.788640	27.128501	36.928605	9.239790	5.737678

# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

	<u>t</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>
	<u>Cal</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>
Actual	2000	0.109451	0.122845	0.123153	8.385332	25.424898	8.495487
Actual	2001	0.109593	0.123490	0.123186	7.016987	24.265012	10.827055
Actual	2002	0.109691	0.123400	0.122814	7.536188	25.200197	7.828616
Actual	2003	0.109445	0.123229	0.122909	10.436247	22.189056	14.132898
Actual	2004	0.109603	0.123186	0.122916	19.763246	25.254579	21.376186
Forecast	2005	0.109288	0.123337	0.123045	20.855730	21.998931	19.995769
Forecast	2006	0.109148	0.123407	0.122777	21.287717	23.564705	20.658414
Forecast	2007	0.109288	0.123337	0.123045	24.396237	25.970116	19.152521

	<u>t</u>	<u>Other</u>	<u>Rent&amp;Bonus</u>	<u>Total</u>	<u>Adm. Fee</u>	<u>State</u>
	<u>Cal</u>	<u>Royalty</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Share</u>
Actual	2000	0.106007	2.538708	44.950432	1.039176	21.436040
Actual	2001	0.110419	5.365295	47.584768	0.259794	23.532590
Actual	2002	0.107805	4.337445	45.010251	0.000000	22.505126
Actual	2003	0.108077	4.401366	51.267644	0.000000	25.633822
Actual	2004	0.107296	6.944381	73.445688	0.000000	36.722844
Forecast	2005	0.108077	6.944381	69.902888	0.000000	34.951444
Forecast	2006	0.107296	6.944381	72.562513	0.000000	36.281257
Forecast	2007	0.107726	6.944381	76.570981	0.000000	38.285491

# Legislative Fiscal Division

## Revenue Estimate Profile

### Wholesale Energy Tax

**Revenue Description:** The wholesale energy transaction tax, enacted by the 1999 legislature (HB 174 effective January 1, 2000) is imposed on the amount of electricity transmitted by a transmission services provider in the state.

**Applicable Tax Rate(s):** The tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted. If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; 6) electricity that has been subject to the transmission tax in another state; and 7) a 5 percent exemption for line loss.

**Distribution:** All proceeds are deposited into the general fund.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

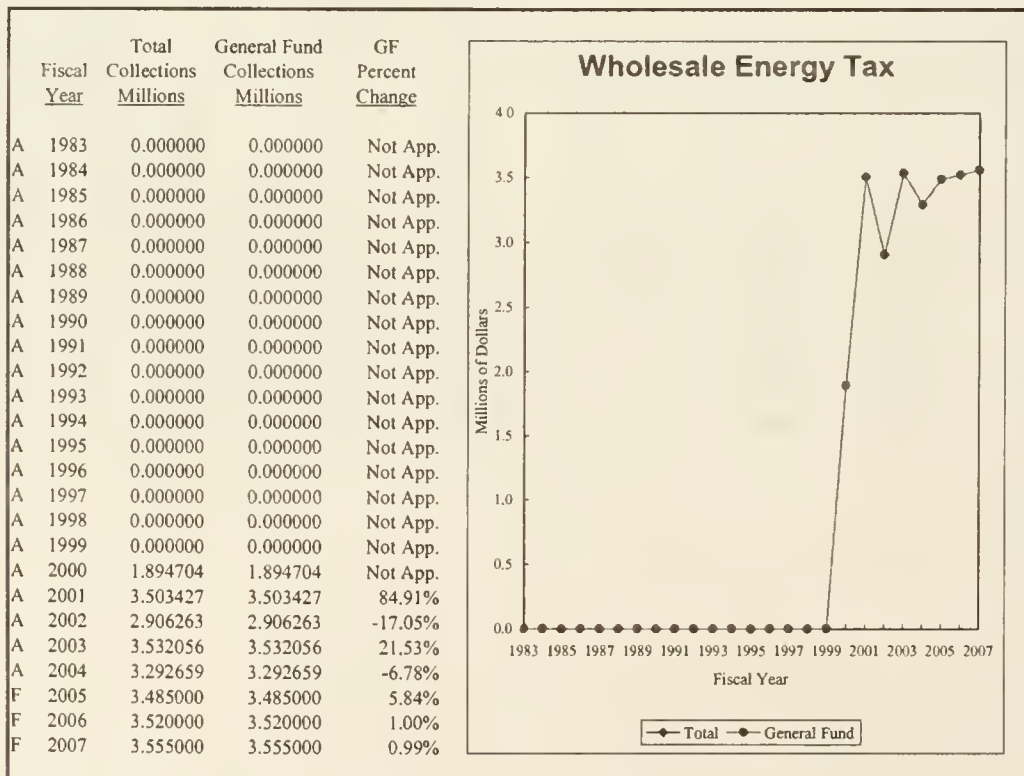
Tax Rate (MCA) – 15-72-104(1)

Tax Distribution (MCA) – 15-72-106(3)

Date Due – 30<sup>th</sup> day of the month following the end of the calendar quarter

**% of Total FY 2004 General Fund Revenue:** 0.24%

#### Revenue Projection:



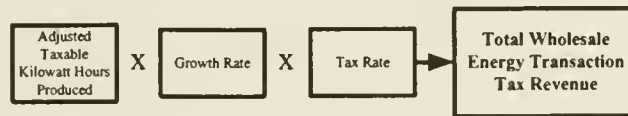


# Legislative Fiscal Division

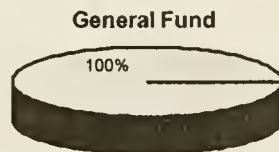
## Revenue Estimate Profile

### Wholesale Energy Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>KWH CY</u>	<u>KWH FY</u>	<u>Credits</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>
Actual	2000	1.894704	1.894704	23293.307441	12273.924051	0.000000	0.000150
Actual	2001	3.503427	3.503427	21930.042719	22658.110488	0.000000	0.000150
Actual	2002	2.906263	2.906263	22296.733482	22775.157501	0.000000	0.000150
Actual	2003	3.532056	3.532056	22642.729021	24780.402486	0.000000	0.000150
Actual	2004	3.292659	3.292659	20608.753860	23961.126405	0.000000	0.000150
Forecast	2005	3.485000	3.485000	21496.438957	23235.938955	0.000000	0.000150
Forecast	2006	3.520000	3.520000	20713.191669	23468.298345	0.000000	0.000150
Forecast	2007	3.555000	3.555000	21582.297662	23702.981328	0.000000	0.000150



# INTEREST EARNINGS

Capital Land Grant Interest

Coal Trust Interest

Common School Interest and Income

Cultural & Aesthetics Trust Interest

Deaf & Blind Trust Interest

Parks Trust Interest

Pine Hills Trust Interest & Income

Regional Water Trust Interest

Resource Idemnity Trust Interest

Tobacco Settlement Trust Interest

Treasure State Endowment Interest

Treasury Cash Account Interest







# Legislative Fiscal Division

## Revenue Estimate Profile

### Capital Land Grant Interest and Income

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**Revenue Description:** Lands granted by the federal government to the state generate income from a variety of sources. Section 12 of the *Enabling Act* requires that income generated on certain sections of federally granted land be used for public buildings at the state capital for construction, repair, renovation, and other permanent improvements of state buildings. Capital land grant funds can also be used for the acquisition of land for such buildings, as well as the payment of principal and interest on bonds issued for any of these purposes.

Non-permanent sources of revenue generated from capital land grant lands include: grazing fees, agricultural fees, miscellaneous fees and rentals, and oil and natural gas leases and penalties. Statute requires that 3.0 percent of total non-permanent revenue be diverted to the Department of Natural Resources and Conservation (DNRC) for resource development purposes. Senate Bill 48, passed by the 1999 legislature, allows an amount up to 10 percent of the previous year's revenue to be diverted each year to a state special revenue account used to fund the Trust Land Management Division of DNRC. Permanent sources of revenue generated from capital land grant lands include timber sales and oil and natural gas royalties. A portion of timber sale revenue is diverted to DNRC to fund a portion of its timber program based on the amount appropriated by the legislature (the remaining portion is funded with timber sale revenue from the common school and other land trusts that generate timber revenue).

**Applicable Tax Rate(s):** N/A

**Distribution:** After divisions for DNRC administration, all remaining capital land grant income is deposited into a capital projects fund to be used for projects on the state capital complex in accordance with the provisions of Section 12 of the *Enabling Act*.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

Tax Rate – NA

Tax Distribution (MCA) – 18-2-107

Other (MCA) – DNRC trust land administration diversion (77-1-109)

DNRC timber sale program diversion (77-1-613)

DNRC land bank administration diversion (77-2-362)

DNRC resource development diversion (77-1-607)

Enabling Act, Sections 10, 12 & 17

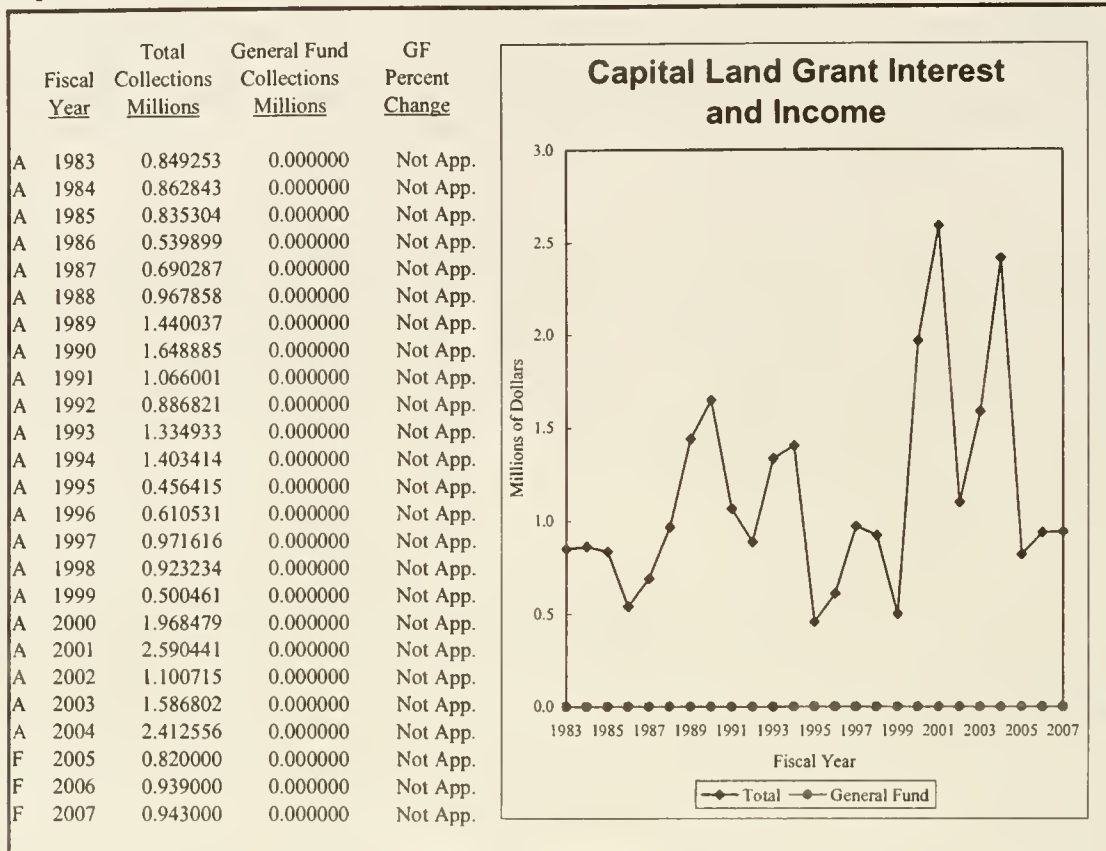
**% of Total FY 2004 General Fund Revenue:** N/A

# Legislative Fiscal Division

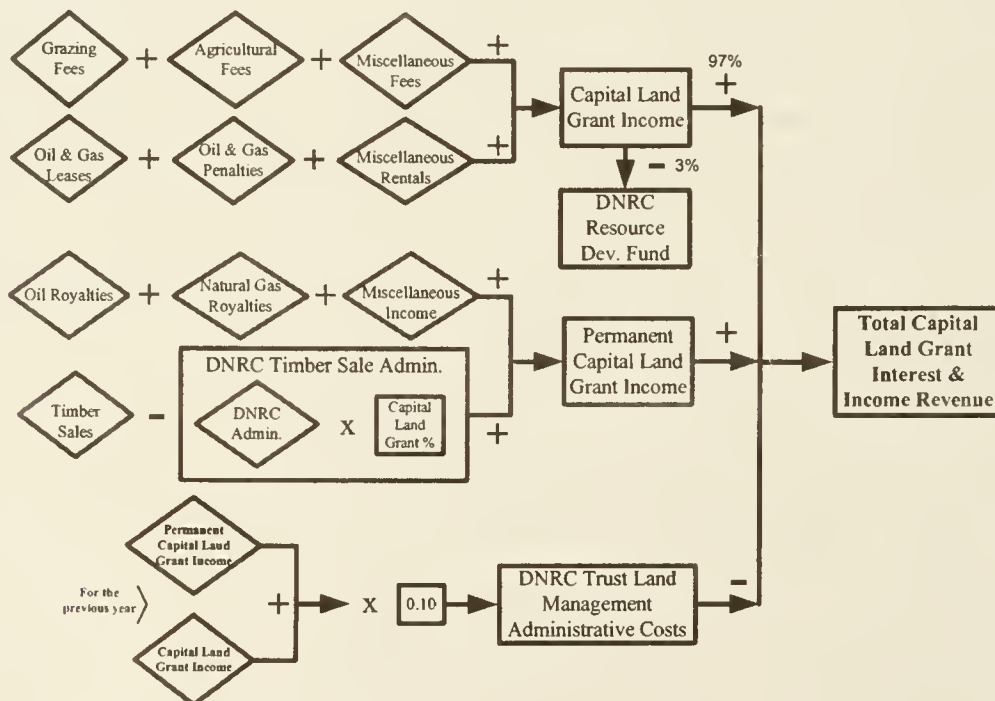
## Revenue Estimate Profile

### Capital Land Grant Interest and Income

#### Revenue Projection:



#### Forecast Methodology



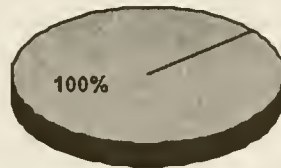
# Legislative Fiscal Division

## Revenue Estimate Profile

### Capital Land Grant Interest and Income

#### Distribution Methodology

#### Capital Projects Fund



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>TFBP</u>	<u>STIP</u>	<u>Capital</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Land Share</u>
				<u>Millions</u>	<u>Millions</u>	<u>T&amp;L</u>
Actual	2000	1.968479	0.000000			0.000000
Actual	2001	2.590441	0.000000			0.000000
Actual	2002	1.100715	0.000000	29.670198	0.102471	0.000000
Actual	2003	1.586802	0.000000	29.146744	0.068370	0.000000
Actual	2004	2.412556	0.000000	30.087011	0.053502	0.000000
Forecast	2005	0.820000	0.000000	28.087916	0.167656	0.000000
Forecast	2006	0.939000	0.000000	27.119869	0.169614	0.000000
Forecast	2007	0.943000	0.000000	27.217701	0.186859	0.000000

	<u>t</u>	<u>Trust Income</u>	<u>Trust Land</u>	<u>New Deposit</u>	<u>Non Pool</u>	<u>Non Pool</u>
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Admin.</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	10.962021		7.0160%	5.4440%	11.676486
Actual	2001	12.667782	-0.048140	6.8830%	4.7420%	6.984553
Actual	2002	2.105811	-0.151480	6.3370%	2.5670%	7.334239
Actual	2003	2.345732	29.129953	5.7290%	1.5020%	6.242273
Actual	2004	2.936728	30.041549	5.3680%	1.4050%	7.049634
Forecast	2005	3.326972	-0.241256	5.4930%	2.1200%	7.049634
Forecast	2006	1.666932	-0.149939	5.8690%	3.0840%	7.049634
Forecast	2007	1.666932	-0.154533	6.1860%	3.4440%	7.049634

	<u>t</u>	<u>Grazing</u>	<u>Agriculture</u>	<u>Misc.</u>	<u>O&amp;G Lease</u>	<u>O&amp;G Bonus</u>	<u>O&amp;G Penalty</u>	<u>Misc.</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.132580	0.044452	0.000000	0.019153	0.009104	0.002343	0.048046
Actual	2001	0.159924	0.043153	0.000000	0.013722	0.002980	0.003287	0.064391
Actual	2002	0.173945	0.030825	0.000000	0.018286	0.002180	0.004428	0.090509
Actual	2003	0.170050	0.043195	0.000000	0.018497	0.001020	0.004170	0.069849
Actual	2004	0.132298	0.088177	0.000000	0.017818	0.000000	0.005399	0.059222
Forecast	2005	0.160081	0.043600	0.000000	0.018200	0.000000	0.004666	0.067120
Forecast	2006	0.143272	0.043316	0.000000	0.018172	0.000000	0.004745	0.068485
Forecast	2007	0.132298	0.043370	0.000000	0.018063	0.000000	0.004937	0.067803

# Legislative Fiscal Division

## Revenue Estimate Profile

### Capital Land Grant Interest and Income

	<u>t</u> <u>Fiscal</u>	<u>Int. Land</u> <u>Millions</u>	<u>Int. STIP</u> <u>Millions</u>	<u>Int. Trust</u> <u>Millions</u>	<u>Res. Dev.</u> <u>Millions</u>	<u>Lease Total</u> <u>Millions</u>	<u>Timber Cost</u> <u>Millions</u>
Actual	2000	0.000000	0.000000	0.000000	-0.007670	0.248008	
Actual	2001	0.000000	0.000000	0.000000	-0.008268	0.279189	
Actual	2002	0.000000	0.000000	0.000000	-0.008838	0.311335	
Actual	2003	0.000000	0.000000	0.000000	-0.009311	0.297470	0.000000
Actual	2004	0.000000	0.000000	0.000000	-0.012622	0.290292	0.000000
Forecast	2005	0.000000	0.000000	0.000000	-0.008810	0.284857	-0.429222
Forecast	2006	0.000000	0.000000	0.000000	-0.008340	0.269650	-0.447630
Forecast	2007	0.000000	0.000000	0.000000	-0.007994	0.258477	-0.448291

	<u>t</u> <u>Fiscal</u>	<u>Oil Roy.</u> <u>Millions</u>	<u>Gas Roy.</u> <u>Millions</u>	<u>Timber</u> <u>Millions</u>	<u>Misc.</u> <u>Millions</u>	<u>Perm. Total</u> <u>Millions</u>
Actual	2000	0.004394	0.004489	1.675671	0.028247	1.712801
Actual	2001	0.005659	0.008068	2.278363	0.010894	2.302984
Actual	2002	0.003264	0.002190	0.769197	0.005891	0.780542
Actual	2003	0.004461	0.013330	1.238901	0.023329	1.280021
Actual	2004	0.003492	0.027817	1.231369	0.846964	2.109642
Forecast	2005	0.003166	0.027817	1.155222	0.019516	0.776499
Forecast	2006	0.002987	0.027817	1.216130	0.020404	0.819708
Forecast	2007	0.002904	0.027817	1.235970	0.020927	0.839327



# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Trust Interest

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**Revenue Description:** Article IX, Section 5 of the Montana Constitution requires that 50.0 percent of all coal severance tax revenue be deposited in a permanent coal trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. With the enactment of House Bill 249 by the 2005 legislature, beginning fiscal 2006 the remaining funds are then split 50 percent (25 percent of total revenue) to the treasure state endowment trust fund, 25 percent (12.5 percent of total revenue) to the treasure state endowment regional water system trust fund, and 25 percent (12.5 percent of total revenue) to the big sky economic development trust fund (HB 249). The permanent trust fund no longer receives coal severance tax revenue (HB 249). By statute, interest earned on the permanent trust that is not earmarked to other programs is deposited to the general fund. When calculating interest earnings, the impact of loans made from the trust, such as the in-state investment program, are taken into account.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created trust fund bond pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's short-term investment pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development. The state Constitution prohibits the investment of the permanent trust in common stock.

**Applicable Tax Rate(s):** N/A

**Distribution:** Interest earned on the permanent coal tax trust fund is deposited into the general fund. Statute further annually transfers and statutorily appropriates interest income from \$140 million of the coal severance tax permanent fund as follows:

Fiscal 2006 - 2010

- \$3,650,000 – to the research and commercialization state special revenue account
- \$1,250,000 – for the growth through agriculture program
- \$425,000 – to the Department of Commerce for certified regional development corporations
- \$300,000 – to the Department of Commerce for export trade enhancement
- \$200,000 – to the Department of Commerce for the Montana manufacturing extension center at MSU-Bozeman
- \$125,000 – to the Department of Commerce for a small business development center
- \$65,000 – to the Cooperative Development Center
- \$50,000 – to the Department of Commerce for a small business innovative research program
- \$6,065,000

### Summary of Legislative Action:

House Bill 201 – The Department of Justice is appropriated the unexpended amount from the \$650,000 of loan proceeds appropriated by the 2003 legislature for the 2005 biennium from the coal severance tax permanent fund. The unexpended amount is estimated to be \$440,000. The purpose of the loan and appropriation is to conduct the natural resource damage assessment and litigation and to pursue Montana's remaining natural resource damage claims and any appeals against the Atlantic Richfield Company. Because the removal of the money from the trust results in a smaller invested balance, the resulting loss in transfers of trust interest earnings to the general fund is expected to be \$13,706 in FY 2006 and \$27,324 in FY 2007. If any reimbursements of the money spent are received, they must be deposited in the coal severance tax permanent fund. The appropriation is effective July 1, 2005.

House Bill 249 – Beginning FY 2006, the 25 percent of remaining coal severance tax revenue (after deposits, if any, in the coal tax bond fund and the school bond contingency loan fund) that previously had been deposited in the coal severance tax permanent fund (12.5% of total revenue), is now deposited in the new Big Sky Economic Development fund within the coal trust. On July 1, 2005, \$20.0 million of fund balance in the permanent trust fund is transferred to the Big Sky Economic Development fund. Interest earnings from this new fund are statutorily appropriated to the Department of Commerce for grants and loans to local governments for economic development projects and to certified regional development corporations. Money not spent for administration must be used: 1) 75 percent to local governments for job creation efforts; and 2) 25 percent to certified regional development corporations and economic development organizations. The elimination of all deposits to the permanent fund and the one-time \$20.0 million reduction in fund balance result in a

# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Trust Interest

loss in transfers of trust interest earnings to the general fund of \$1,338,000 in FY 2006 and \$1,581,000 in FY 2007. State special revenue increases by the same amounts. The legislation is effective July 1, 2005.

#### Coal Trust Interest -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0201 Fund natural resource damage litigation		(13,706)	(27,324)
HB0249 Economic development trust fund		(1,338,000)	(1,581,000)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$1,351,706)</u>	<u>(\$1,608,324)</u>

#### Statutory Reference:

Tax Rate – NA

Distribution (MCA)– Montana Constitution, Article IX, Section 5; 17-5-704; 15-35-108(7)

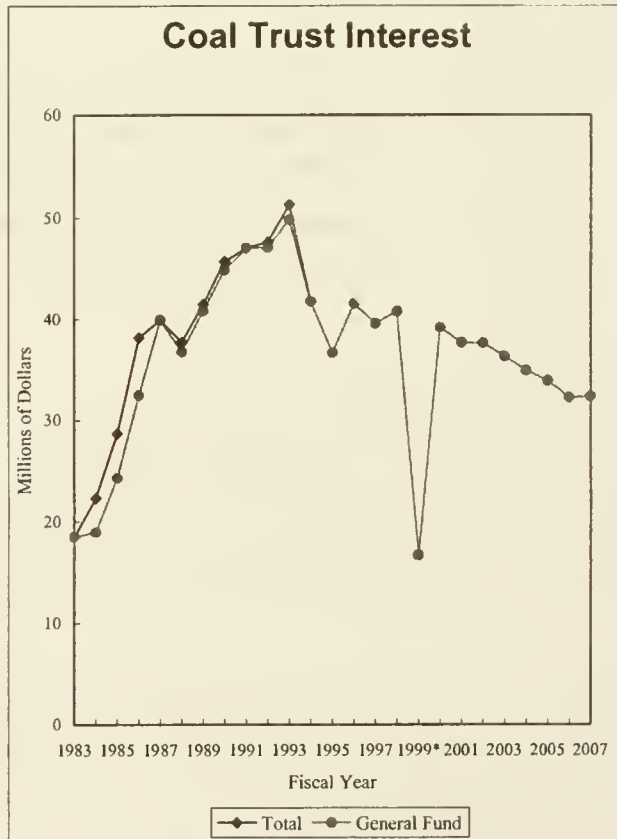
Date Due - NA

**% of Total FY 2004 General Fund Revenue:** 2.53%

#### Revenue Projection:

	<u>Fiscal Year</u>	<u>Total Collections Millions</u>	<u>General Fund Collections Millions</u>	<u>GF Percent Change</u>
A	1983	18.466762	18.466762	Not App.
A	1984	22.291337	18.947636	2.60%
A	1985	28.672038	24.299902	28.25%
A	1986	38.168226	32.443208	33.51%
A	1987	39.924866	39.924866	23.06%
A	1988	37.692796	36.754944	-7.94%
A	1989	41.456920	40.806026	11.02%
A	1990	45.671428	44.830283	9.86%
A	1991	46.999390	46.999390	4.84%
A	1992	47.595927	47.069997	0.15%
A	1993	51.247658	49.787658	5.77%
A	1994	41.725015	41.725015	-16.19%
A	1995	36.675110	36.675110	-12.10%
A	1996	41.532305	41.532305	13.24%
A	1997	39.553397	39.553397	-4.76%
A	1998	40.746333	40.746333	3.02%
A	1999*	16.697583	16.697583	-59.02%
A	2000	39.195203	39.195203	134.74%
A	2001	37.659527	37.659527	-3.92%
A	2002	37.605247	37.605247	-0.14%
A	2003	36.297863	36.297863	-3.48%
A	2004	34.907273	34.907273	-3.83%
F	2005	33.892000	33.892000	-2.91%
F	2006	32.211000	32.211000	-4.96%
F	2007	32.290000	32.290000	0.25%

\* Includes -\$24,479,593 in unrealized losses as booked on the state accounting system

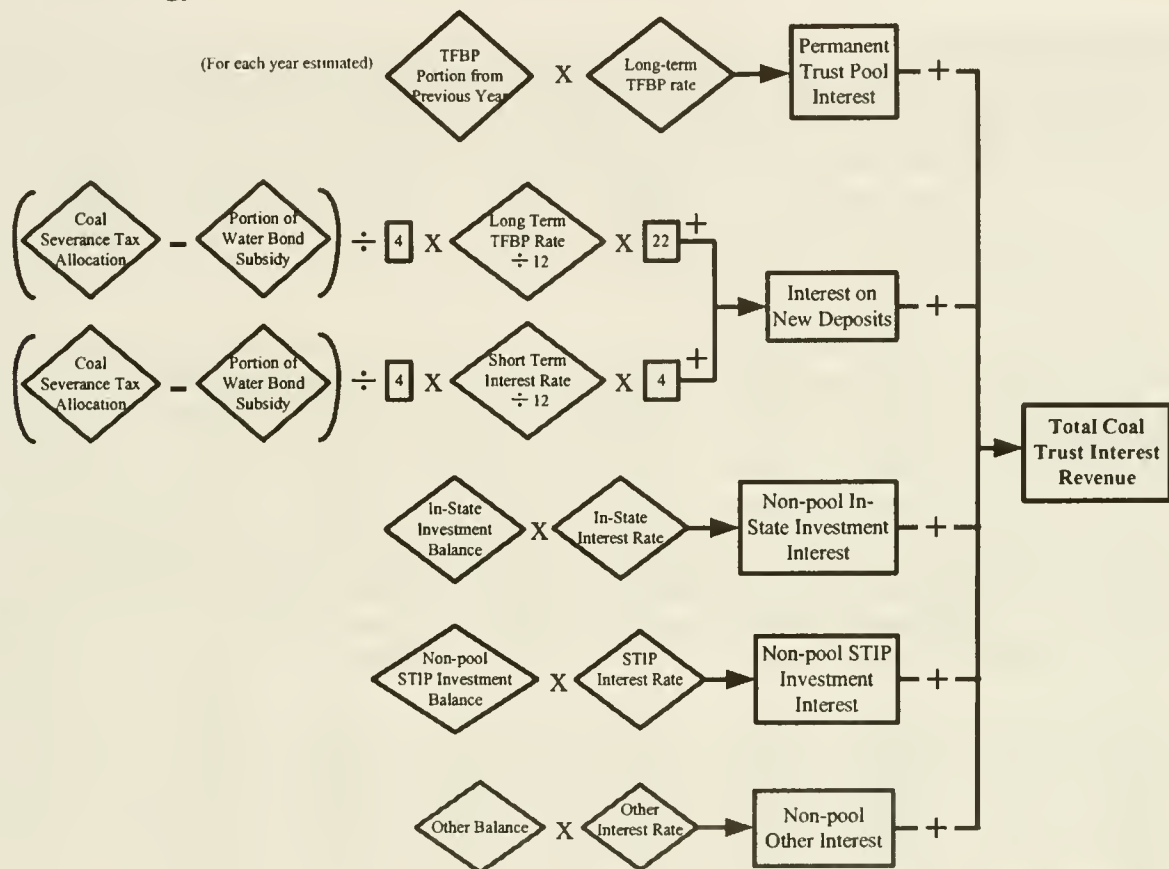


# Legislative Fiscal Division

## Revenue Estimate Profile

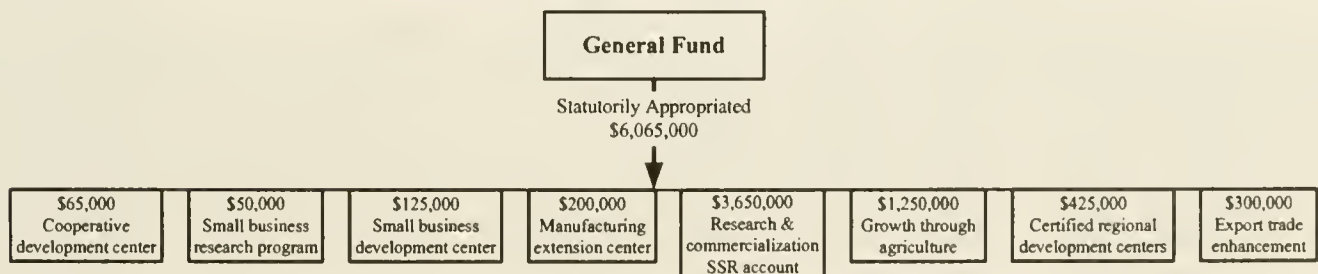
### Coal Trust Interest

#### Forecast Methodology



#### Distribution Methodology

#### Total Coal Trust Interest Fiscal 2006 - Fiscal 2010



# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Trust Interest

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Rev.	GF Rev.	TFBP	In_State	Loan	STIP	Payback
	Fiscal	Millions	Millions	Interest	Interest	Interest	Interest	Interest
				Millions	Millions	Millions	Millions	Millions
Actual	2000	39.195203	39.195203					
Actual	2001	37.659527	37.659527					
Actual	2002	37.605247	37.605247	24.373985	8.764717	3.369609	1.096936	
Actual	2003	36.297863	36.297863	21.079491	10.501432	4.328664	0.388276	
Actual	2004	34.907273	34.907273	22.273639	8.721596	3.460652	0.451386	
Forecast	2005	33.892000	33.892000	21.258277	8.418899	3.271684	0.826241	0.116562
Forecast	2006	33.563000	33.563000	20.617450	8.418899	3.085659	1.162317	0.278702
Forecast	2007	33.898000	33.898000	20.849276	8.418899	2.863313	1.293974	0.472501

	t	Net Coal Tax	Bond	New Deposit	Non Pool	Non Pool	Non Pool
	Fiscal	New Deposit	Subsidy	Long Term	STIP	In State	Loan
		Millions	Millions	Rate	Rate	Rate	Rate
Actual	2000	0.000000	0.193782	6.3370%	5.4440%	5.9500%	0.0000%
Actual	2001	0.000000	0.480790	6.8830%	4.7420%	5.7700%	0.0000%
Actual	2002	0.000000	0.264847	6.3370%	2.5670%	5.5860%	7.2673%
Actual	2003	0.000000	0.780492	5.7290%	1.5020%	5.5860%	7.0000%
Actual	2004	3.943085	1.473545	5.3680%	1.4050%	5.3917%	7.3445%
Forecast	2005	3.981000	1.309205	5.4930%	2.1200%	5.3917%	7.3445%
Forecast	2006	3.950000	1.183767	5.8690%	3.0840%	5.3917%	7.3445%
Forecast	2007	4.034000	0.691478	6.1860%	3.4440%	5.3917%	7.3445%

	t	Non Pool	Non Pool	Non Pool	SB495 Loan
	Fiscal	STIP Bal	In-State Bal	Loan Bal	Payment
		Millions	Millions	Millions	Millions
Actual	2000	15.334577	127.567412	0.000000	
Actual	2001	22.784722	145.401756	0.000000	
Actual	2002	26.721811	168.249355	46.366904	
Actual	2003	37.107451	169.737929	46.366904	
Actual	2004	41.478106	156.145542	46.366904	
Forecast	2005	41.478106	156.145542	44.546044	1.820860
Forecast	2006	41.478106	156.145542	42.013200	2.532844
Forecast	2007	41.478106	156.145542	38.985813	3.027387



# Legislative Fiscal Division

## Revenue Estimate Profile

### Common School Interest and Income

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**Revenue Description:** Lands granted by the federal government to the state for the benefit of public schools generate income. The common school trust is actually part of the trust and legacy trust fund that includes nine other trusts. Prior to fiscal 1996, interest and income from the common school trust was deposited in the state equalization account. Beginning in fiscal 1996, this interest and income was deposited in the general fund, as mandated by SB 83, passed by the 1995 legislature. Beginning fiscal 2003, House Bill 7 from the August 2002 special legislative session changed the deposit to the state special revenue guarantee account and statutorily appropriated the money for schools. The estimates show the amount of revenue deposited to the guarantee account and are net of amounts diverted (of mineral royalties, timber sale revenue, and income) for DNRC administration costs. Included is timber revenue for school technology and the amounts of mineral royalty revenue that is required to pay interest and principal on the SB 495 loan. These items are explained below.

Common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust such as income from the sale of minerals (see the effects of Senate Bill 495 from the 2003 legislative session below), land, and easements. Excluding the amount of timber sale revenue diverted for DNRC administration and school technology and after a 3.0 percent deduction of the revenue for use by the Department of Natural Resources and Conservation (DNRC), 95 percent of distributable revenue is available to fund schools and, due to Senate Bill 48 (discussed below), the remaining 5.0 percent is available to fund the Trust Land Management Division of DNRC. The 3.0 percent allocation to DNRC is used for resource development purposes. Timber revenue is allocated: 1) first to DNRC to fund a portion of its timber program based on the amount appropriated by the legislature (the remaining portion is funded with timber sale revenue from the capital land grant and other land trusts that generate timber revenue); 2) the amount received from production over 18 million board feet is deposited into the state special revenue fund for school technology equipment and training and is statutorily appropriated to OPI (House Bill 41 enacted by the 2001 legislature and House Bill 7 from the August 2002 special legislative session); and 3) any remainder for the support of public schools.

Senate Bill 48, passed by the 1999 legislature, provides for the diversion of the following funds for the purpose of funding the Trust Land Management Division in the DNRC: 1) mineral royalties; 2) revenues from the sale of easements; and 3) 5.0 percent of interest and income previously credited to the common school trust. The amount of the money diverted from the common school trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds (which include the trust and legacy fund of which the common school trust is a part), were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of common school trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state Constitution prohibits the investment of common school trust funds in common stock. Interest income is distributed 95 percent to the guarantee account and 5 percent is available for DNRC administration with the remainder deposited to the trust.

Senate Bill 495 (enacted by the 2001 legislature) authorized DNRC to purchase the mineral production rights (with a loan from the coal severance trust) from the common school trust. The department subsequently purchased \$138.9 million of future mineral royalties (over an approximate 30-year period) from the school trust for \$46.4 million. Since these royalties will no longer be deposited to the trust, interest earnings from the trust corpus are lessened. However, additional interest earnings are generated from the proceeds of the sale, but it is estimated that interest losses will exceed interest gains after fiscal 2012. It is estimated that the trust balance will be \$94.7 million less after the 30-year period. For further information and analysis on Senate Bill 495 contact the Legislative Fiscal Division for a copy of the two-part report: "Senate Bill 495-Implementation, Impacts and Implications".

**Applicable Tax Rate(s):** N/A

**Distribution:** As described above, interest and income from common school lands (including a portion of timber sales and after amounts diverted for DNRC administration) are distributed 95.0 percent to the state special revenue guarantee account and is statutorily appropriated for schools. The remaining 5.0 percent is available to fund the Trust Land Management Division with the remainder deposited to the trust fund. The amounts deposited to the guarantee account are shown in this revenue source.

#### Summary of Legislative Action:

House Bill 2 - The amount of money appropriated from certain accounts inversely impacts the amount of revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive

# Legislative Fiscal Division

## Revenue Estimate Profile

### Common School Interest and Income

Budget and finalized in HJR 2, final appropriations set by the legislature, such as those in HB 2, may differ and, thus, may affect revenue. Changes in state special revenue appropriations from the trust land administration account administered by the Department of Natural Resources and Conservation change the amount of revenue deposited in the account from common school trust lands income. This in turn, changes the amount of money deposited to the school trust and the amount available in the guarantee account that is statutorily appropriated for schools. Due to changes in appropriations, state special revenue deposited to the guarantee account decreases by \$5,290 in FY 2006 and increases by \$5,290 in FY 2007.

House Bill 447 – Money to pay for salary and benefit increases for state employees is appropriated in the legislation. The amount of money appropriated from certain accounts inversely impacts the amount of revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature, such as those in HB 447, may differ and, thus, may affect revenue. Increases in state special revenue appropriations from the trust land administration account and the timber sale account administered by the Department of Natural Resources and Conservation increase the amount of revenue deposited in the accounts from common school trust lands income. This in turn, decreases the amount of money deposited to the school trust and the amount available in the guarantee account that is statutorily appropriated for schools. Due to increases in appropriations, state special revenue deposited to the guarantee account decreases \$131,498 in FY 2006 and \$343,021 in FY 2007.

#### Common School Interest and Income -- Legislation Passed by 59th Legislature Estimated State Special Revenue Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0002 General appropriations act		(5,290)	5,290
HB0447 Increase state employee pay		(131,498)	(343,021)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$136,788)</u>	<u>(\$337,731)</u>

#### Statutory Reference:

Tax Rate – NA

Distribution (MCA) – Montana Constitution Article X, Section 5; 20-9-342 (school technology); 20-9-622 (guarantee account)

Other (MCA) – DNRC trust land administration diversion (77-1-109)

DNRC timber sale program diversion (77-1-613)

DNRC land bank administration diversion (77-2-362)

DNRC resource development diversion (77-1-607)

Enabling Act, Section 10

Date Due - the last business day of February following the calendar year in which the money was received (20-9-342).

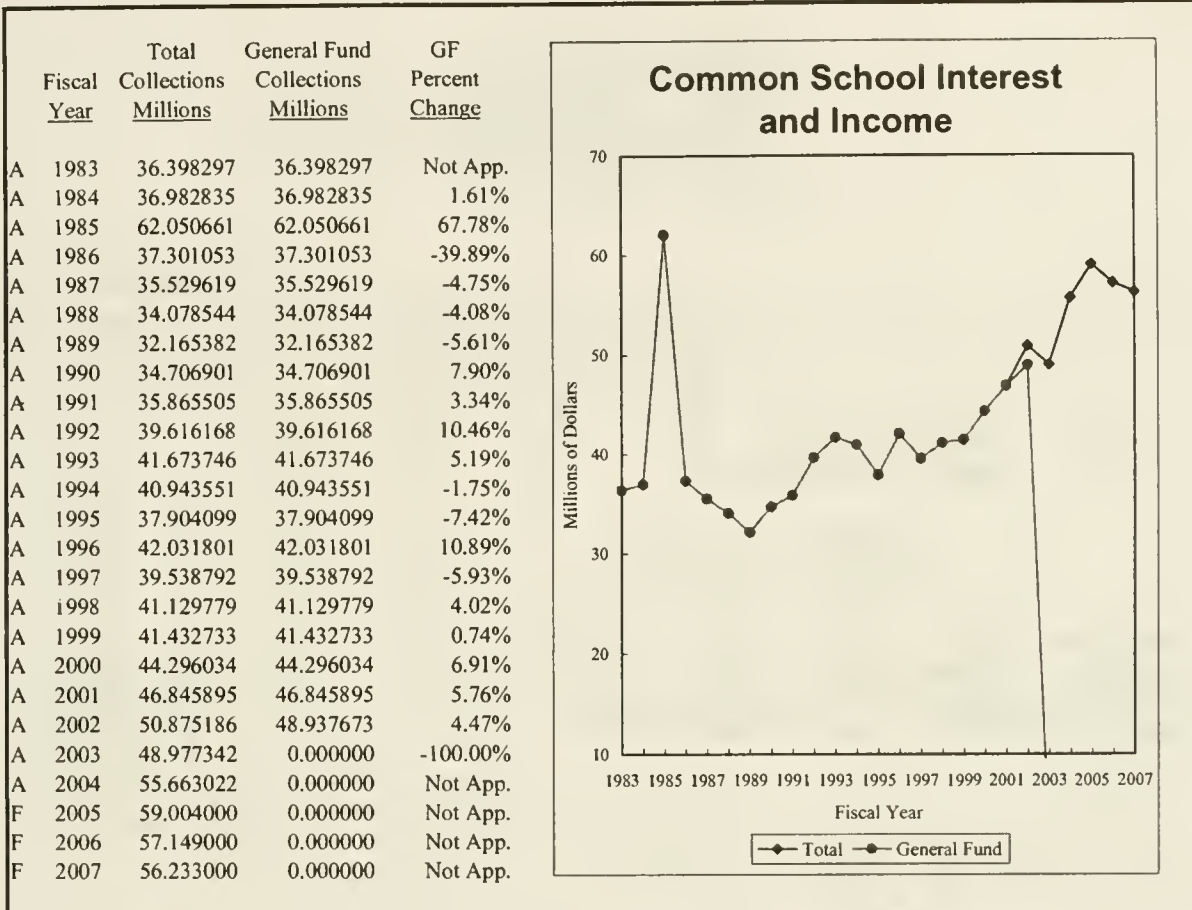
**% of Total FY 2004 General Fund Revenue:** 0.00%

# Legislative Fiscal Division

## Revenue Estimate Profile

### Common School Interest and Income

#### Revenue Projection:



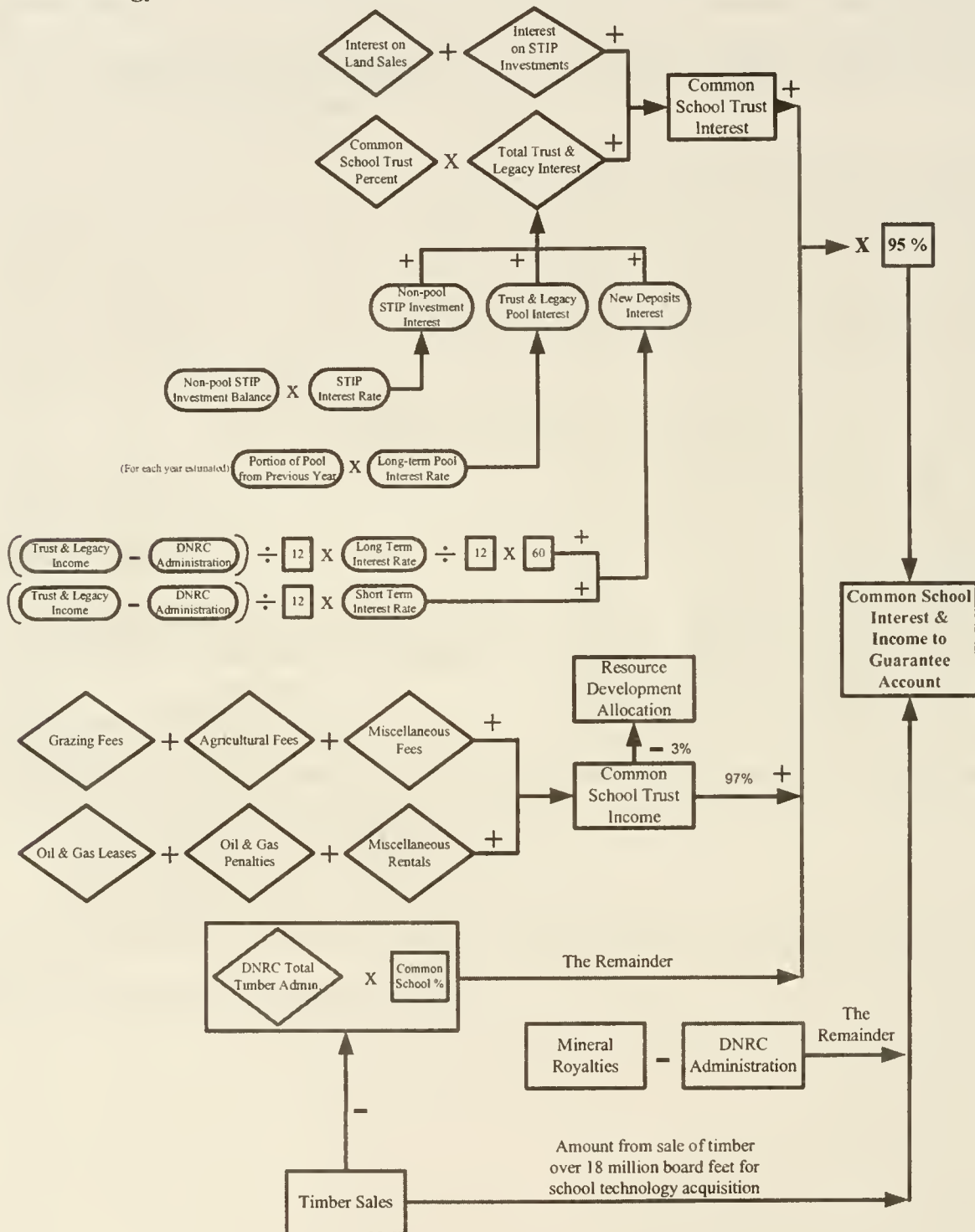


# Legislative Fiscal Division

## Revenue Estimate Profile

### Common School Interest and Income

#### Forecast Methodology





# Legislative Fiscal Division

## Revenue Estimate Profile

### Common School Interest and Income

#### Distribution Methodology

**State Special Revenue Fund**



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>TFBP</u>	<u>STIP</u>	<u>Common</u>	<u>SB495</u>	<u>Trust Land</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>School Share</u>	<u>Loan Pay.</u>	<u>Expense</u>
				<u>Millions</u>	<u>Millions</u>	<u>T&amp;L</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	44.296034	44.296034			0.938562		
Actual	2001	46.845895	46.845895			0.923235		
Actual	2002	50.875186	48.937673	29.670198	0.102471	0.932906		
Actual	2003	48.977342	0.000000	29.146744	0.068370	0.931091	0.000000	-3.477507
Actual	2004	55.663022	0.000000	30.087011	0.053502	0.928698	-1.820860	-3.367569
Forecast	2005	59.004000	0.000000	28.087916	0.167656	0.928698	-2.532844	-3.762020
Forecast	2006	57.286000	0.000000	27.119869	0.169614	0.928698	-3.027387	-3.723091
Forecast	2007	56.571000	0.000000	27.217701	0.186859	0.928698	-2.888652	-3.727938

	<u>t</u>	<u>Trust Income</u>	<u>New Deposit</u>	<u>Non Pool</u>	<u>Non Pool</u>	<u>SB495</u>
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>	<u>Interest</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	10.962021	7.0160%	5.4440%	11.676486	
Actual	2001	12.667782	6.8830%	4.7420%	6.984553	
Actual	2002	2.105811	6.3370%	2.5670%	7.334239	
Actual	2003	2.345732	5.7290%	1.5020%	6.242273	
Actual	2004	2.936728	5.3680%	1.4050%	7.049634	
Forecast	2005	3.326972	5.4930%	2.1200%	7.049634	-3.271684
Forecast	2006	1.666932	5.8690%	3.0840%	7.049634	-3.085659
Forecast	2007	1.666932	6.1860%	3.4440%	7.049634	-2.863313

	<u>t</u>	<u>Grazing</u>	<u>Agriculture</u>	<u>Misc.</u>	<u>O&amp;G Lease</u>	<u>O&amp;G Bonus</u>	<u>O&amp;G Penalty</u>	<u>Misc.</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	4.065911	9.053155	0.000000	1.328220	1.277231	0.261334	1.127779
Actual	2001	4.850839	8.376539	0.000000	1.448285	7.118093	0.355322	1.121433
Actual	2002	5.467322	6.998644	0.000000	1.540472	0.478224	0.334699	1.243778
Actual	2003	5.243241	7.974945	0.000000	1.575356	0.300943	0.399347	1.348894
Actual	2004	4.970961	8.051131	0.000000	1.648808	0.870693	0.533758	2.156382
Forecast	2005	6.014863	8.134205	0.686875	1.710287	0.870693	0.300323	1.479381
Forecast	2006	5.383302	8.053427	0.686875	1.750523	0.870693	0.316366	1.567445
Forecast	2007	4.970961	8.026501	0.686875	1.783975	0.870693	0.327899	1.647899

# Legislative Fiscal Division

## Revenue Estimate Profile

### Common School Interest and Income

	<u>t</u>	<u>Int. Land</u>	<u>Int. STIP</u>	<u>Int. Trust</u>	<u>Timber</u>	<u>Res. Dev.</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000566	0.706653	23.905761	5.379555	-0.513416
Actual	2001	0.000290	0.715090	24.206450	1.623592	-0.698124
Actual	2002	0.000063	0.305319	27.775111	3.624785	-0.504023
Actual	2003	0.019744	0.188794	27.201941	3.605510	-0.499362
Actual	2004	0.002900	0.199526	27.991422	6.147357	-0.517845
Forecast	2005	0.003176	0.279677	26.240893	1.950001	-0.575899
Forecast	2006	0.003176	0.401287	25.343688	1.946999	-0.558859
Forecast	2007	0.003176	0.446021	25.450560	1.930999	-0.549444

	<u>t</u>	<u>Total</u>	<u>Timber</u>	<u>School</u>	<u>Oil</u>	<u>Gas</u>	<u>Coal</u>	<u>Other</u>
	<u>Fiscal</u>	<u>Timber</u>	<u>Sales Pgm.</u>	<u>Technology</u>	<u>Royalties</u>	<u>Royalties</u>	<u>Royalties</u>	<u>Royalties</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.067954	-1.688399	0.000000				
Actual	2001	3.200298	-1.576706	0.000000				
Actual	2002	5.753895	-2.129110	1.822162	2.390492	1.523062	2.836919	0.144369
Actual	2003	5.507588	-1.674571	0.000000	3.681611	1.995499	3.877054	0.148393
Actual	2004	9.244105	-2.952003	3.178988	4.851597	2.718035	4.676964	0.169754
Forecast	2005	8.688036	-3.228036	1.600000	6.249826	3.523033	6.480205	0.173178
Forecast	2006	8.936471	-3.366471	1.700000	6.452395	3.876761	5.330303	0.173178
Forecast	2007	8.885449	-3.371449	1.700000	6.987200	3.936339	4.185829	0.173178

	<u>t</u>	<u>Oil</u>	<u>Gas</u>	<u>Coal</u>	<u>Oil</u>	<u>Gas</u>	<u>Coal</u>
	<u>Fiscal</u>	<u>Production</u>	<u>Production</u>	<u>Production</u>	<u>Price</u>	<u>Price</u>	<u>Price</u>
		<u>Barrels</u>	<u>MCF's</u>	<u>Tons</u>	<u>\$/Barrel</u>	<u>\$/MCF</u>	<u>\$/Ton</u>
Actual	2000	0.923777	5.050552	3.273552	21.666084	1.732951	10.980000
Actual	2001	0.889786	6.294741	3.285378	28.029154	3.775439	11.440000
Actual	2002	0.911057	5.892287	1.835880	21.394771	2.249212	11.500000
Actual	2003	1.017463	5.380950	3.494901	28.140000	3.200000	9.590000
Actual	2004	1.122987	5.720200	3.911826	31.020000	3.950000	8.600000
Forecast	2005	1.340506	6.408044	6.056798	35.863760	4.398263	8.559248
Forecast	2006	1.532037	7.011222	5.020664	32.397265	4.423492	8.493384
Forecast	2007	1.694761	7.526791	3.932936	31.714026	4.183816	8.514411

# Legislative Fiscal Division

## Revenue Estimate Profile

### Cultural Trust Interest

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**Revenue Description:** Beginning in fiscal 1976, a portion of coal severance tax revenue was deposited into the Parks Acquisition and Arts Protection trust fund. The 1991 legislature split the principal of this trust into two separate trusts, the Parks Acquisition trust and the Arts Protection trust (cultural trust), with coal severance taxes allocated to each one. The 1997 legislature appropriated \$3.9 million from the cultural trust fund for the immediate purchase of Virginia and Nevada City properties. This action resulted in a loss of trust interest revenue that otherwise would be used to fund cultural and aesthetic (C&A) projects in the state during the 1999 biennium. Thus, beginning July 1, 1997, and ending June 30, 1999, 0.87 percent in coal severance tax revenue was allocated to an account in the state special revenue fund to compensate for the lost interest earnings and the previous 0.63 percent distribution of coal severance tax to the cultural trust was eliminated. Except for fiscal 2003, beginning July 1, 1999, the amount of 0.63 percent is once again statutorily allocated to the cultural trust, the interest from which is to be used for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. The August 2002 special legislative session eliminated the allocation for fiscal 2003 only. In the 2005 session, \$3,412,500 of general fund was transferred to the cultural trust as replacement of the money used to purchase Virginia and Nevada City properties.

**Applicable Tax Rate(s):** N/A

**Distribution:** All income from the trust is deposited in a state special revenue fund to be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

#### Summary of Legislative Action:

House Bill 9 – This legislation increases the interest earned on the cultural trust \$411,377 in the 2007 biennium by increasing the trust corpus with a one-time general fund transfer of \$3,412,500. The transfer of funds replaced dollars spent from the trust in the 1997 purchase of Virginia and Nevada Cities. HB 9 directs the transfer to take place at the beginning of FY 2006 so that new interest will be earned throughout the entire 2007 biennium. Revenues from the cultural trust increase \$200,280 in FY 2006 and \$211,097 in FY 2007. The legislation is effective July 1, 2005.

Cultural Trust Interest -- Legislation Passed by 59th Legislature  
Estimated State Special Revenue Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0009 Cultural and aesthetic grant appropriations		200,280	211,097
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$200,280</u>	<u>\$211,097</u>

#### Statutory Reference:

Tax Rate – NA  
Distribution (MCA) – 15-35-108(6), 22-2-305  
Date Due – NA

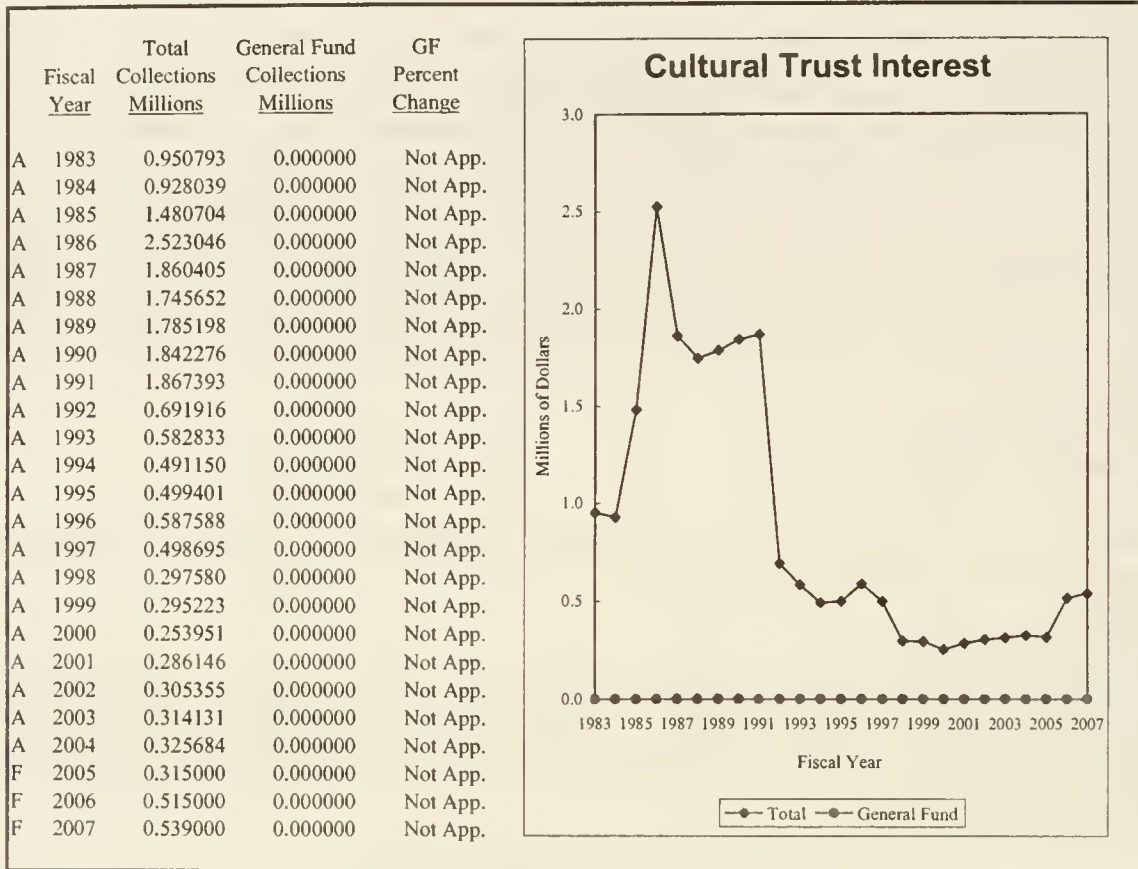
**% of Total FY 2004 General Fund Revenue:** N/A

# Legislative Fiscal Division

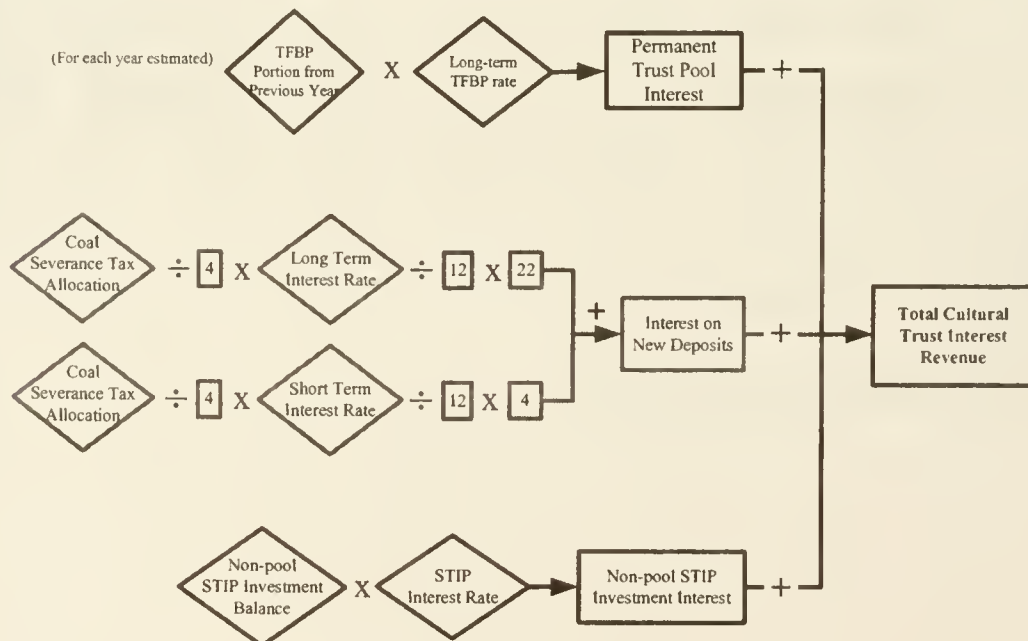
## Revenue Estimate Profile

### Cultural Trust Interest

#### Revenue Projection:



#### Forecast Methodology





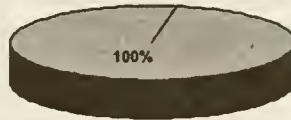
# Legislative Fiscal Division

## Revenue Estimate Profile

### Cultural Trust Interest

#### Distribution Methodology

State Special Revenue Fund



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>Fiscal</u>	<u>Total Rev.</u> <u>Millions</u>	<u>GF Rev.</u> <u>Millions</u>	<u>TFBP</u> <u>Interest</u> <u>Millions</u>	<u>STIP</u> <u>Interest</u> <u>Millions</u>
Actual	2000	0.253951	0.000000		
Actual	2001	0.286146	0.000000		
Actual	2002	0.305355	0.000000	0.304399	0.000955
Actual	2003	0.314131	0.000000	0.310495	0.003636
Actual	2004	0.325684	0.000000	0.324526	0.001158
Forecast	2005	0.315000	0.000000	0.307129	0.007673
Forecast	2006	0.315000	0.000000	0.305961	0.008834
Forecast	2007	0.328000	0.000000	0.317640	0.009655

	<u>Fiscal</u>	<u>Net Coal Tax</u> <u>New Deposit</u> <u>Millions</u>	<u>New Deposit</u> <u>Long Term</u> <u>Rate</u>	<u>Non Pool</u> <u>STIP</u> <u>Rate</u>	<u>Non Pool</u> <u>STIP Bal</u> <u>Millions</u>
Actual	2000	0.212426	7.0160%	5.4440%	0.249639
Actual	2001	0.203724	6.8830%	4.7420%	0.028633
Actual	2002	0.199168	6.3370%	2.5670%	0.102287
Actual	2003	0.000000	5.7290%	1.5020%	0.062902
Actual	2004	0.198731	5.3680%	1.4050%	0.088412
Forecast	2005	0.209000	5.4930%	2.1200%	0.088412
Forecast	2006	0.199000	5.8690%	3.0840%	0.088412
Forecast	2007	0.203000	6.1860%	3.4440%	0.088412

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Deaf and Blind Trust Interest and Income

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**Revenue Description:** Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income. These lands produce revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Income from certain portions of public school/institution lands has been designated for support of the School for the Deaf and Blind. Thus, some of these funds are deposited into a component of the trust and legacy trust fund referred to as the Deaf and Blind trust, which generates interest earnings for the state. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of trust and legacy trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state constitution prohibits the investment of any trust funds in common stock.

In accordance with statute, 3.0 percent of Deaf and Blind trust interest and income is diverted to the Department of Natural Resources and Conservation (DNRC) to be used for resource development purposes. Senate Bill 48, passed by the 1999 legislature, provides for the diversion of the following funds for the purpose of funding the Trust Land Management Division in the DNRC: 1) mineral royalties; 2) revenues from the sale of easements; and 3) 5.0 percent of interest and income previously credited to the common school trust. In addition, a portion of timber sale revenue is diverted to fund a portion of DNRC's timber program. The amount of the money diverted from the Deaf and Blind trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

**Applicable Tax Rate(s):** N/A

**Distribution:** Interest and income from the trust, net of amounts to fund DNRC administration, are allocated to the School for the Deaf and Blind.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

- Tax Rate – NA
- Distribution (MCA) – 20-8-110
- Other (MCA) – DNRC trust land administration diversion (77-1-109)
  - DNRC timber sale program diversion (77-1-613)
  - DNRC land bank administration diversion (77-2-362)
  - DNRC resource development diversion (77-1-607)
- Enabling Act, Sections 11 & 17

**% of Total FY 2004 General Fund Revenue:** N/A

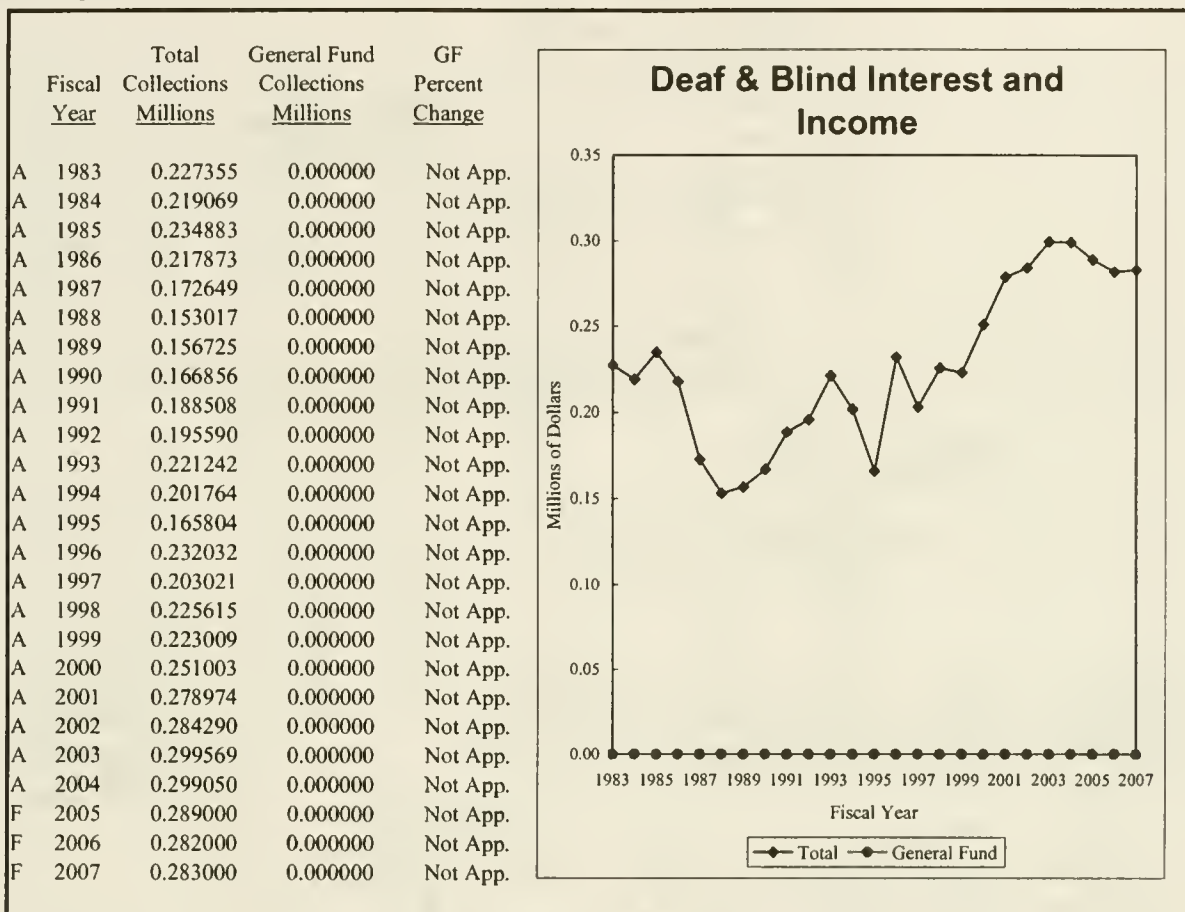
The amount of the money diverted from the Pine Hills trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Deaf and Blind Trust Interest and Income

#### Revenue Projection:

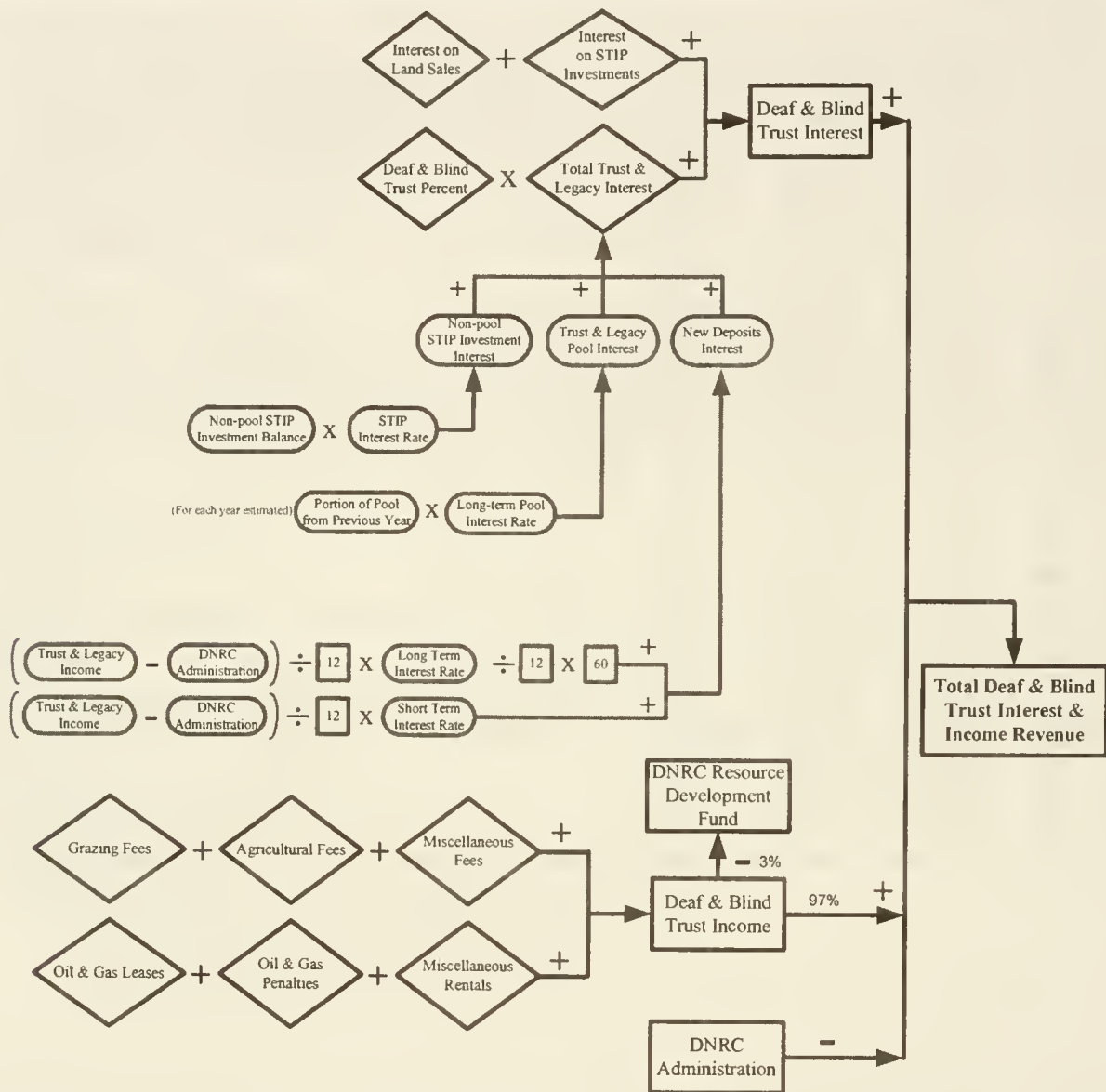


# Legislative Fiscal Division

## Revenue Estimate Profile

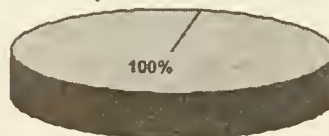
### Deaf and Blind Trust Interest and Income

#### Forecast Methodology



#### Distribution Methodology

##### State Special Revenue Fund



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.



# Legislative Fiscal Division

## Revenue Estimate Profile

### Deaf and Blind Trust Interest and Income

	t	Total Rev.	GF Rev.	TFBP	STIP	Deaf &
	Fiscal	Millions	Millions	Interest	Interest	Blind Share
				Millions	Millions	T&L
Actual	2000	0.251003	0.000000			0.006369
Actual	2001	0.278974	0.000000			0.007485
Actual	2002	0.284290	0.000000	29.670198	0.102471	0.006697
Actual	2003	0.299569	0.000000	29.146744	0.068370	0.006947
Actual	2004	0.299050	0.000000	30.087011	0.053502	0.007029
Forecast	2005	0.289000	0.000000	28.087916	0.167656	0.007029
Forecast	2006	0.282000	0.000000	27.119869	0.169614	0.007029
Forecast	2007	0.283000	0.000000	27.217701	0.186859	0.007029

	t	Trust Income	Trust Land	New Deposit	Non Pool	Non Pool
	Fiscal	New Deposit	Admin.	Long Term	STIP	STIP Bal
		Millions	Millions	Rate	Rate	Millions
Actual	2000	10.962021		7.0160%	5.4440%	11.676486
Actual	2001	12.667782	0.000000	6.8830%	4.7420%	6.984553
Actual	2002	2.105811	0.000000	6.3370%	2.5670%	7.334239
Actual	2003	2.345732	0.000000	5.7290%	1.5020%	6.242273
Actual	2004	2.936728	0.000000	5.3680%	1.4050%	7.049634
Forecast	2005	3.326972	0.000000	5.4930%	2.1200%	7.049634
Forecast	2006	1.666932	0.000000	5.8690%	3.0840%	7.049634
Forecast	2007	1.666932	0.000000	6.1860%	3.4440%	7.049634

	t	Grazing	Agriculture	Misc.	O&G Lease	O&G Bonus	O&G Penalty	Misc.
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.030113	0.008628	0.000000	0.001980	0.001280	0.000000	0.046783
Actual	2001	0.040496	0.020937	0.000000	0.001440	0.000480	0.000000	0.019365
Actual	2002	0.040733	0.014776	0.000000	0.001740	0.000050	0.000000	0.027618
Actual	2003	0.042676	0.022940	0.000000	0.001740	0.000000	0.000000	0.029242
Actual	2004	0.038658	0.016168	0.000000	0.001740	0.000000	0.000000	0.030636
Forecast	2005	0.040641	0.021958	0.000000	0.001740	0.000000	0.000000	0.029165
Forecast	2006	0.040677	0.020866	0.000000	0.001740	0.000000	0.000000	0.029681
Forecast	2007	0.040663	0.020734	0.000000	0.001740	0.000000	0.000000	0.029827

	t	Int. Land	Int. STIP	Int. Trust	Timber	Res. Dev.
	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.000000	0.000000	0.162218	0.000000	-0.002664
Actual	2001	0.000000	0.000000	0.196256	0.000000	-0.002482
Actual	2002	0.000000	0.000000	0.199373	0.000000	-0.002548
Actual	2003	0.000000	0.000000	0.202971	0.000000	-0.002898
Actual	2004	0.000000	0.000000	0.211848	0.000000	-0.002616
Forecast	2005	0.000000	0.000000	0.198608	0.000000	-0.002805
Forecast	2006	0.000000	0.000000	0.191818	0.000000	-0.002789
Forecast	2007	0.000000	0.000000	0.192627	0.000000	-0.002789

# Legislative Fiscal Division

## Revenue Estimate Profile

### Parks Trust Interest

**Revenue Description:** Beginning in fiscal 1976, a portion of coal severance tax revenue was deposited into the Parks Acquisition and Arts Protection trust fund. The 1991 legislature split the principal of this trust into two separate trusts, the Parks Acquisition trust (parks trust) and the Arts Protection trust (cultural trust), with coal severance taxes allocated to each one. Except for fiscal 2003, the amount of 1.27 percent of coal tax revenues is statutorily allocated to the parks trust for the purpose of parks acquisition or management. The August 2002 special legislative session eliminated the allocation for fiscal 2003 only. Income from the parks trust must be appropriated for the acquisition, development, operation, and maintenance of state parks, state recreational areas, state monuments, and state historical sites under control of the Department of Fish, Wildlife and Parks.

**Applicable Tax Rate(s):** N/A

**Distribution:** Interest earnings on the parks trust are allocated to the Department of Fish, Wildlife, and Parks and deposited to a state special revenue fund.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

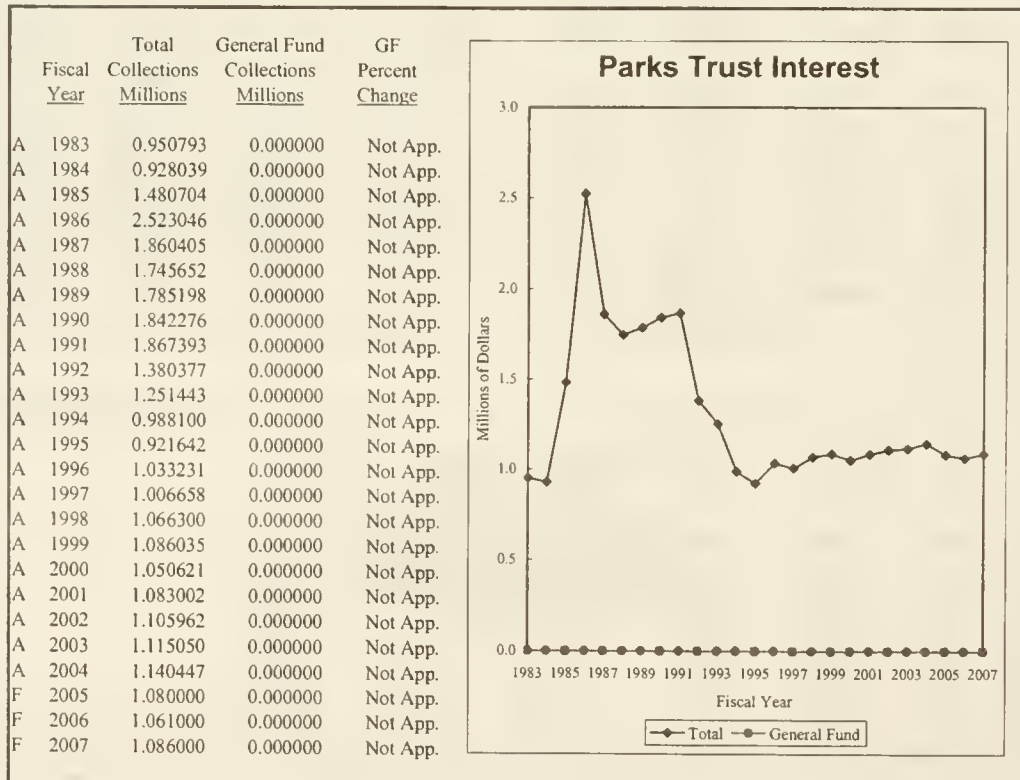
Tax Rate – NA

Distribution (MCA) – 15-35-108(4)

Date Due - NA

**% of Total FY 2004 General Fund Revenue:** N/A

#### Revenue Projection:

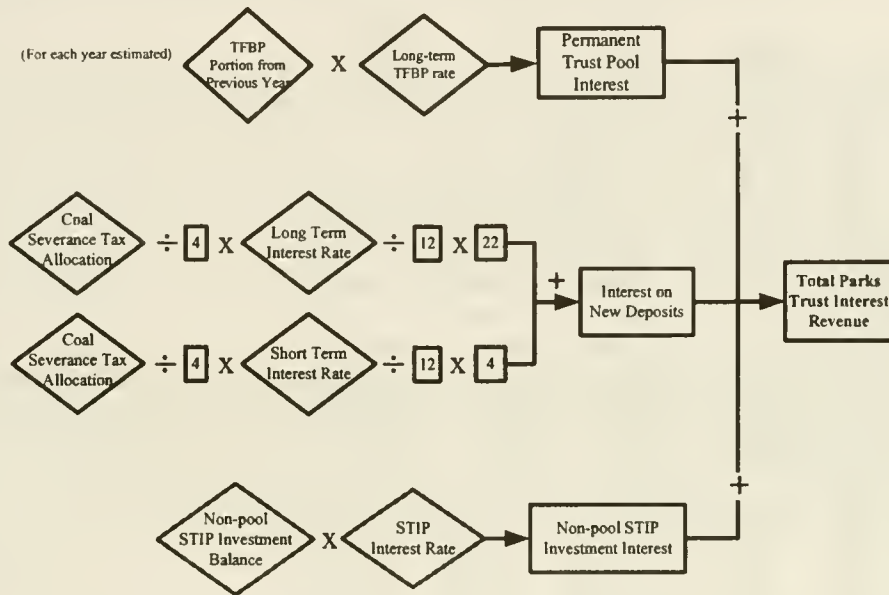


# Legislative Fiscal Division

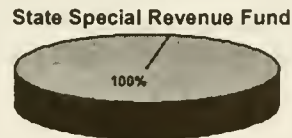
## Revenue Estimate Profile

### Parks Trust Interest

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Parks Trust Interest

	t	Total Rev.	GF Rev.	TFBP	STIP
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>
				<u>Millions</u>	<u>Millions</u>
Actual	2000	1.050621	0.000000		
Actual	2001	1.083002	0.000000		
Actual	2002	1.105962	0.000000	1.100428	0.005534
Actual	2003	1.115050	0.000000	1.101342	0.013709
Actual	2004	1.140447	0.000000	1.138429	0.002019
Forecast	2005	1.080000	0.000000	1.065482	0.014417
Forecast	2006	1.061000	0.000000	1.044952	0.016249
Forecast	2007	1.086000	0.000000	1.068487	0.017750

		Net Coal Tax	New Deposit	Non Pool	Non Pool
	t	New Deposit	Long Term	STIP	STIP Bal
	<u>Fiscal</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	0.450466	6.3370%	5.4440%	0.301775
Actual	2001	0.410682	6.8830%	4.7420%	0.177151
Actual	2002	0.401498	6.3370%	2.5670%	0.140270
Actual	2003	0.000000	5.7290%	1.5020%	0.328045
Actual	2004	0.400617	5.3680%	1.4050%	0.328045
Forecast	2005	0.422000	5.4930%	2.1200%	0.328045
Forecast	2006	0.401000	5.8690%	3.0840%	0.328045
Forecast	2007	0.410000	6.1860%	3.4440%	0.328045



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Pine Hills Interest and Income

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**Revenue Description:** Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income. These lands produce revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Income from certain portions of public school/institution lands has been designated for the support of the Pine Hills youth correctional facility. Thus, some of these funds are deposited into a component of the trust and legacy trust fund referred to as the Pine Hills trust, which generates interest earnings for the state. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of trust and legacy trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state constitution prohibits the investment of any trust funds in common stock.

In accordance with statute, 3.0 percent of Pine Hills interest and income is diverted to the Department of Natural Resources and Conservation (DNRC) to be used for resource development purposes. Senate Bill 48, passed by the 1999 legislature, provides for the diversion of the following funds for the purpose of funding the Trust Land Management Division in the DNRC: 1) mineral royalties; 2) revenues from the sale of easements; and 3) 5.0 percent of interest and income previously credited to the common school trust. In addition, a portion of timber sale revenue is diverted to fund a portion of DNRC's timber program. The amount of the money diverted from the Pine Hills trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

**Applicable Tax Rate(s):** N/A

**Distribution:** Interest and income from the trust, net of amounts to fund DNRC administration, is allocated to the Department of Corrections for support of the Pine Hills youth correctional facility.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

**Statute:**

Tax Rate – NA

Distribution (MCA) – 17-3-1003

Other (MCA) – DNRC trust land administration diversion (77-1-109)

DNRC timber sale program diversion (77-1-613)

DNRC land bank administration diversion (77-2-362)

DNRC resource development diversion (77-1-607)

Enabling Act, Sections 11 & 17

**% of Total FY 2004 General Fund Revenue:** N/A

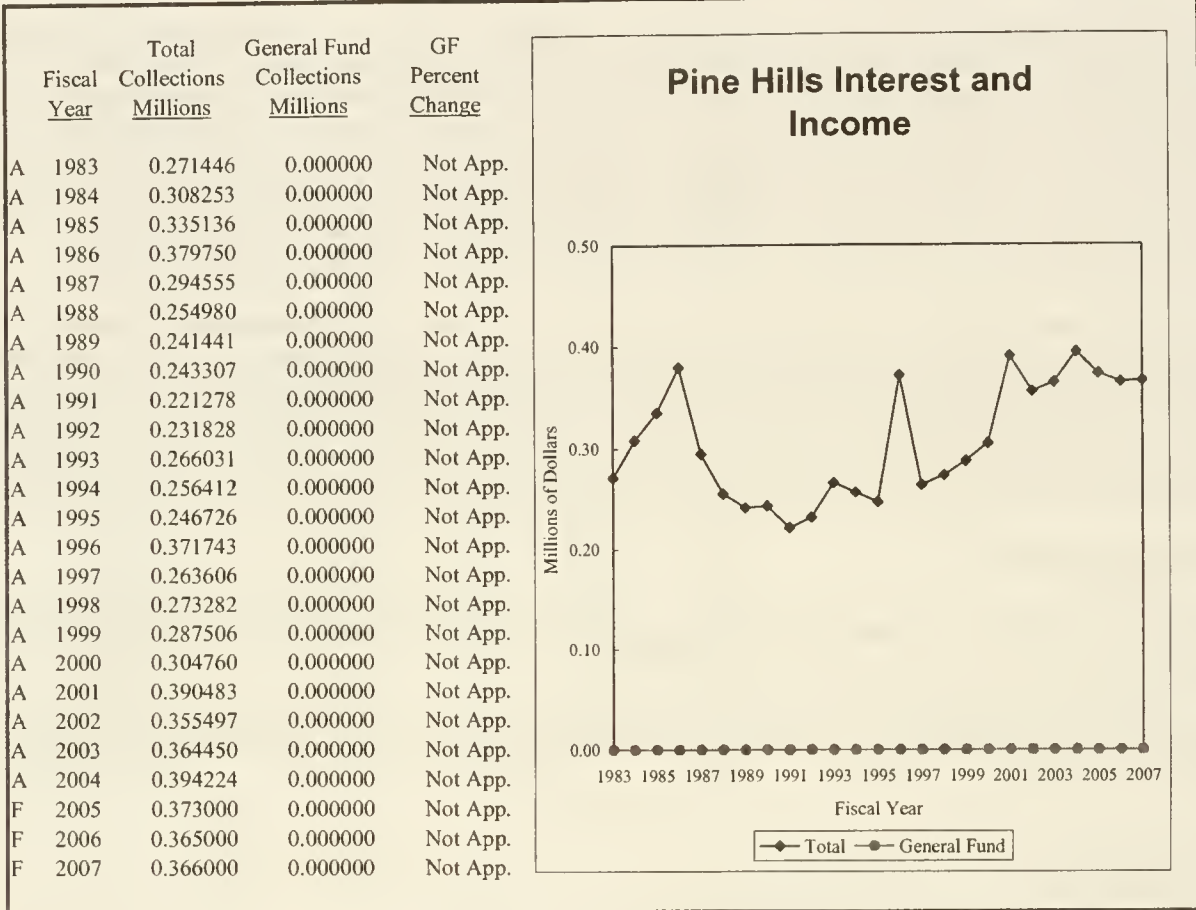
Total interest and income is calculated by summing total Pine Hills trust income and interest less DNRC's resource development and trust land administration diversions.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Pine Hills Interest and Income

#### Revenue Projection:

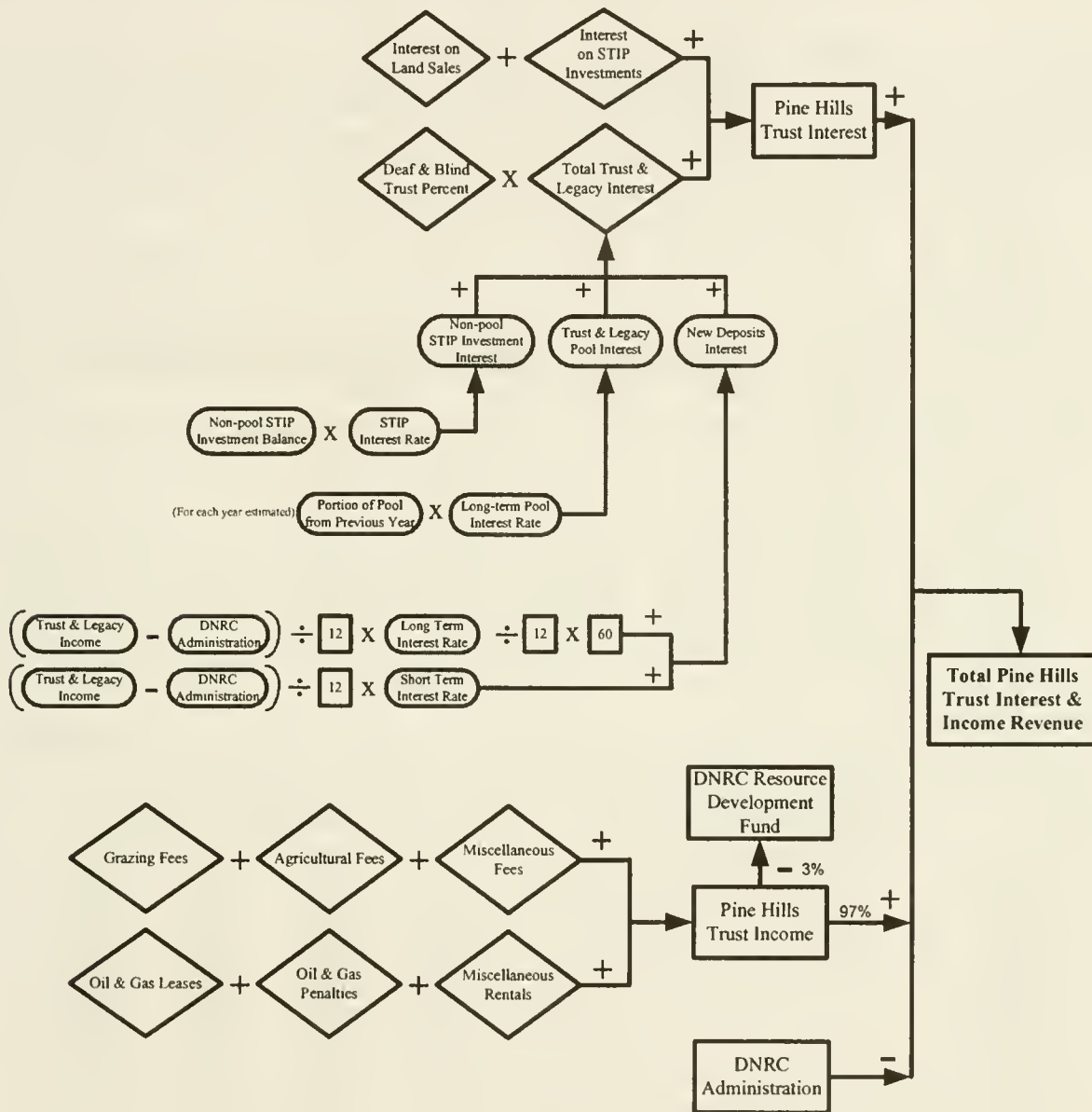


# Legislative Fiscal Division

## Revenue Estimate Profile

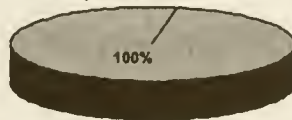
### Pine Hills Interest and Income

#### Forecast Methodology



#### Distribution Methodology

State Special Revenue Fund



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Pine Hills Interest and Income

	t	Total Rev.	GF Rev.	TFBP	STIP	Pine
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Hills Share</u>
				<u>Millions</u>	<u>Millions</u>	<u>T&amp;L</u>
Actual	2000	0.304760	0.000000			0.006048
Actual	2001	0.390483	0.000000			0.006167
Actual	2002	0.355497	0.000000	29.670198	0.102471	0.005835
Actual	2003	0.364450	0.000000	29.146744	0.068370	0.006580
Actual	2004	0.394224	0.000000	30.087011	0.053502	0.007114
Forecast	2005	0.373000	0.000000	28.087916	0.167656	0.007114
Forecast	2006	0.365000	0.000000	27.119869	0.169614	0.007114
Forecast	2007	0.366000	0.000000	27.217701	0.186859	0.007114

	t	Trust Income	Trust Land	New Deposit	Non Pool	Non Pool
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Admin.</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	10.962021		7.0160%	5.4440%	11.676486
Actual	2001	12.667782	0.000000	6.8830%	4.7420%	6.984553
Actual	2002	2.105811	0.000000	6.3370%	2.5670%	7.334239
Actual	2003	2.345732	0.000000	5.7290%	1.5020%	6.242273
Actual	2004	2.936728	0.000000	5.3680%	1.4050%	7.049634
Forecast	2005	3.326972	0.000000	5.4930%	2.1200%	7.049634
Forecast	2006	1.666932	0.000000	5.8690%	3.0840%	7.049634
Forecast	2007	1.666932	0.000000	6.1860%	3.4440%	7.049634

	t	Grazing	Agriculture	Misc.	O&G Lease	O&G Bonus	O&G Penalty	Misc.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.054682	0.022855	0.047965	0.021231	0.000000	0.003895	0.000000
Actual	2001	0.063912	0.013002	0.056236	0.023526	0.066599	0.005510	0.000000
Actual	2002	0.077707	0.016967	0.058062	0.021550	0.000000	0.007482	0.000000
Actual	2003	0.070606	0.019163	0.059332	0.020743	0.000000	0.002359	0.000000
Actual	2004	0.071968	0.022278	0.059705	0.023583	0.000000	0.002283	0.000000
Forecast	2005	0.073427	0.020753	0.059033	0.022102	0.000000	0.002321	0.000000
Forecast	2006	0.072000	0.020116	0.059357	0.022393	0.000000	0.002302	0.000000
Forecast	2007	0.072465	0.020194	0.059365	0.022015	0.000000	0.002312	0.000000

	t	Int. Land	Int. STIP	Int. Trust	Timber	Res. Dev.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000086	0.154047	0.000000	-0.004521
Actual	2001	0.000000	0.000000	0.161698	0.000000	-0.006864
Actual	2002	0.000000	0.000000	0.173729	0.000000	-0.005450
Actual	2003	0.000000	0.000000	0.192247	0.000000	-0.005166
Actual	2004	0.000000	0.000000	0.214407	0.000000	-0.005395
Forecast	2005	0.000000	0.000000	0.201010	0.000000	-0.005329
Forecast	2006	0.000000	0.000000	0.194137	0.000000	-0.005285
Forecast	2007	0.000000	0.000000	0.194956	0.000000	-0.005291



# Legislative Fiscal Division

## Revenue Estimate Profile

### Regional Water Trust Interest

**Revenue Description:** The 1999 legislature (Senate Bill 220) created the Treasure State Endowment (TSE) Regional Water System Fund within the permanent coal tax trust fund. The fund receives 25 percent of total coal severance tax collections through June 2016. Interest earned on the fund is used to provide matching funds to plan and construct regional drinking water systems in Montana and fund state and local entity administrative expenses. Except for administrative expenses, each state dollar must be matched equally by local funds. The funds in the account are further restricted to finance regional drinking water systems from the waters of the Tiber reservoir and the Missouri River within specific geographic areas. The program terminates the end of June 2016.

**Applicable Tax Rate(s):** NA

**Distribution:** Interest earnings are deposited to a state special revenue fund and appropriated to the Department of Natural Resources and Conservation to fund eligible projects and pay administrative expenses.

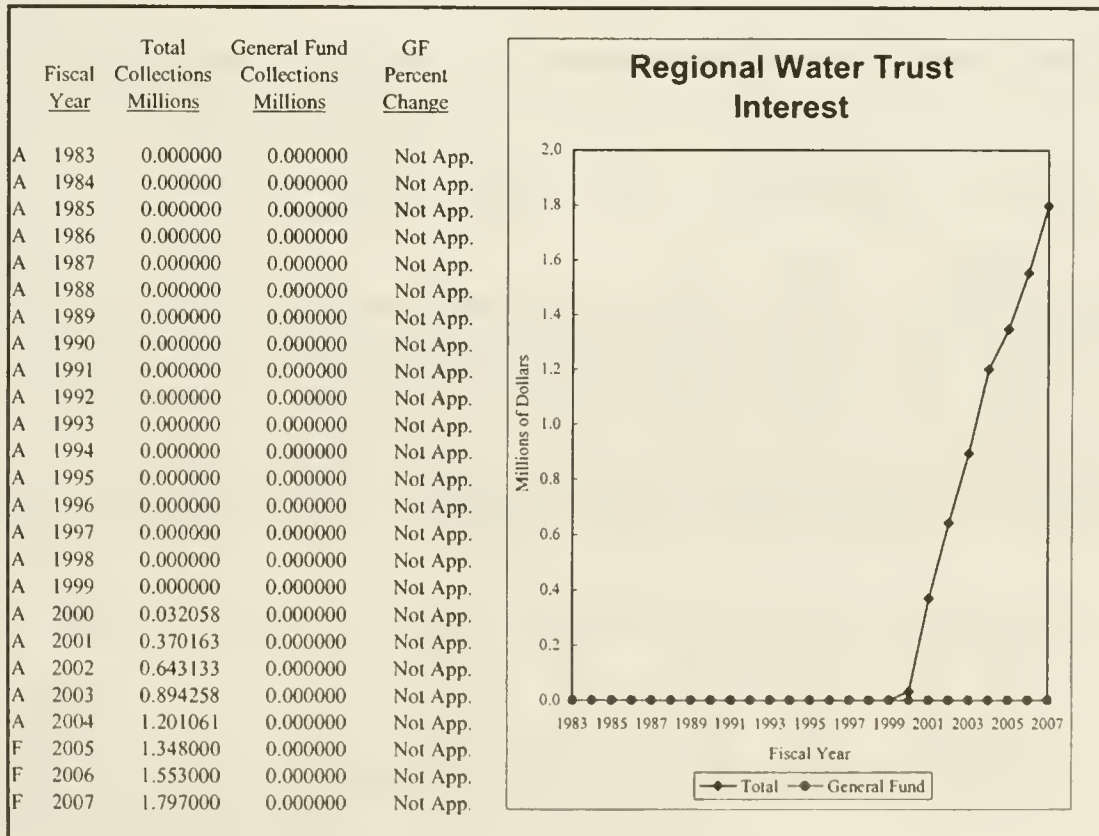
**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

Tax Rate – NA  
 Distribution (MCA) – 17-5-703 (4b); use of earnings (90-6-715)  
 Date Due (MCA) – monthly (17-5-703(4d))

**% of Total FY 2004 General Fund Revenue:** N/A

#### Revenue Projection:

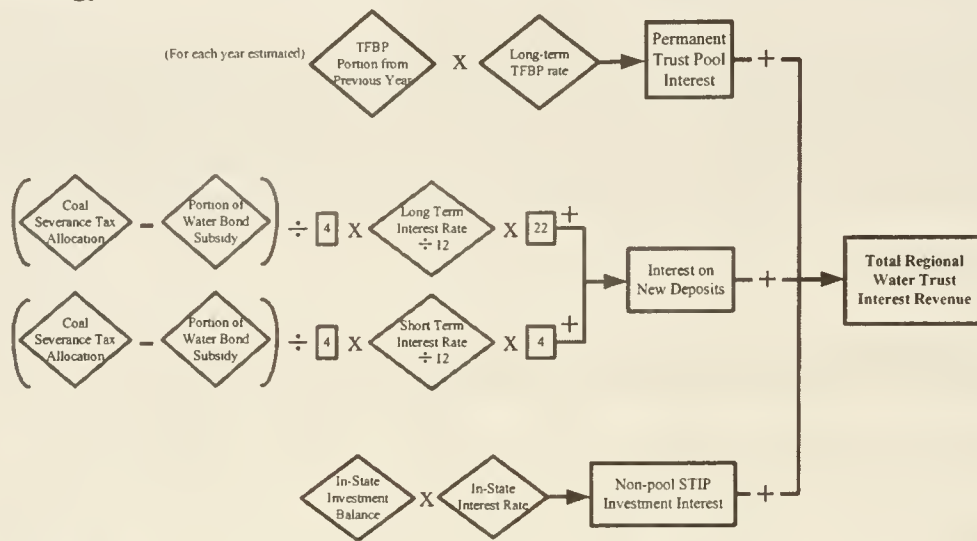


# Legislative Fiscal Division

## Revenue Estimate Profile

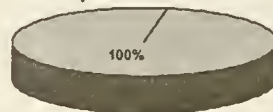
### Regional Water Trust Interest

#### Forecast Methodology



#### Distribution Methodology

State Special Revenue Fund



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Rev.	GF Rev.	TFBP	STIP	Loan
	Fiscal	Millions	Millions	Interest	Interest	Interest
				Millions	Millions	Millions
Actual	2000	0.032058	0.000000			
Actual	2001	0.370163	0.000000			
Actual	2002	0.643133	0.000000	0.610589	0.032544	0.000000
Actual	2003	0.894258	0.000000	0.864661	0.029598	0.000000
Actual	2004	1.201061	0.000000	1.173660	0.027401	0.000000
Forecast	2005	1.348000	0.000000	1.187354	0.160477	0.000000
Forecast	2006	1.553000	0.000000	1.365947	0.187041	0.000000
Forecast	2007	1.797000	0.000000	1.597773	0.199432	0.000000

	t	Net Coal Tax	New Deposit	Non Pool	Non Pool
	Fiscal	New Deposit	Long Term	STIP	STIP Bal
		Millions	Rate	Rate	Millions
Actual	2000	4.433724	6.3370%	5.4440%	3.441977
Actual	2001	4.042147	6.8830%	4.7420%	0.845223
Actual	2002	3.951756	6.3370%	2.5670%	1.578601
Actual	2003	3.677943	5.7290%	1.5020%	1.894047
Actual	2004	3.943085	5.3680%	1.4050%	2.693965
Forecast	2005	4.154000	5.4930%	2.1200%	2.693965
Forecast	2006	3.950000	5.8690%	3.0840%	2.693965
Forecast	2007	3.861000	6.1860%	3.4440%	2.693965

# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Trust Interest

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**Revenue Description:** Article IX, Section 2 of the Montana Constitution and Title 15, Chapter 38, MCA, require that certain resource extraction taxes, as determined by the legislature, be placed in a trust. The principal of the Resource Indemnity Trust (RIT) "shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000), guaranteed by the state against loss or diversion." Once the principal of the trust reaches \$100.0 million, any additional tax deposits may be appropriated. Interest earnings on the RIT are to be spent to improve the total environment and rectify damage to the environment. It is also the legislature's intent that interest earnings not be appropriated for general operating expenses of state agencies.

Prior to July 1, 2002 when the Governor by executive order certified to the Secretary of State that the RIT balance had reached \$100 million, the RIT had received revenue from the resource indemnity and ground water assessment tax and the oil and gas tax. Because these allocations of revenue are no longer deposited to the trust, the trust balance will remain constant and interest earnings will be dependent only on the interest rates. However, any excess revenue in the ground water assessment account at the end of a fiscal year causes an amount equal to excess to be deposited to the RIT from the account's allocation of RIGWA tax or RIT interest earnings.

**Applicable Tax Rate(s):** N/A

**Distribution:** Statute allocates RIT interest earnings in the following manner:

- 1) at the beginning of the biennium, an amount not to exceed \$175,000 to the environmental contingency fund to bring the balance up to \$750,000. Money in this account is statutorily appropriated for unanticipated public needs arising from certain disasters and emergencies, which may be used upon authorization of the Governor;
- 2) at the beginning of the biennium, an amount not to exceed \$50,000 to the oil and gas mitigation account to bring the balance up to \$200,000. Money in this account is statutorily appropriated to the Board of Oil and Gas Conservation for the cost of plugging wells that have been abandoned and for which no responsible party can be found;
- 3) at the beginning of the biennium, \$500,000 to the water storage state special revenue account to provide loans and grants for water storage projects;
- 4) \$2.0 million annually to the renewable resource grant and loan program state special revenue account for distribution as grants;
- 5) \$1.2 million annually through fiscal 2005 to the reclamation and development grant state special revenue account for distribution as grants, \$1.5 million annually after fiscal 2005;
- 6) \$350,000 annually through fiscal 2005 to the future fisheries program for bull trout and cutthroat trout recovery, \$500,000 annually after fiscal 2005;
- 7) \$300,000 annually to the ground water assessment account to improve ground water management and protection;
- 8) \$240,000 annually to MSU Northern for the environmental science water quality instructional programs. This amount is statutorily appropriated; and
- 9) of the remaining RIT interest earnings: a) through fiscal 2005, 25.5 percent (30 percent after fiscal 2005) goes to the renewable resource grant and loan account for program and administrative costs; b) through fiscal 2005, 45.0 percent (35 percent after fiscal 2004) goes to the reclamation and development grant account for program and administrative costs; c) 22.0 percent through fiscal 2005 (26 percent after fiscal 2005) goes to the hazardous waste/CERCLA account for superfund activities; and d) 7.5 percent through fiscal 2005 (9.0 percent after fiscal 2005) goes to the environmental quality protection fund for additional clean-up activities.

The Department of Natural Resources and Conservation administers two of the RIT interest accounts which are used for grants, loans, and administrative costs: the renewable resource grant and loan program account and the reclamation and development grant account. These accounts also receive funding from other sources. All grants and loans made from these accounts require legislative approval. Grants must also be appropriated.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

Tax Rate – NA

Distribution (MCA) – Montana Constitution, Article IX, Section 2; 15-38-202(2), use of earnings (15-38-203)

Date Due – NA

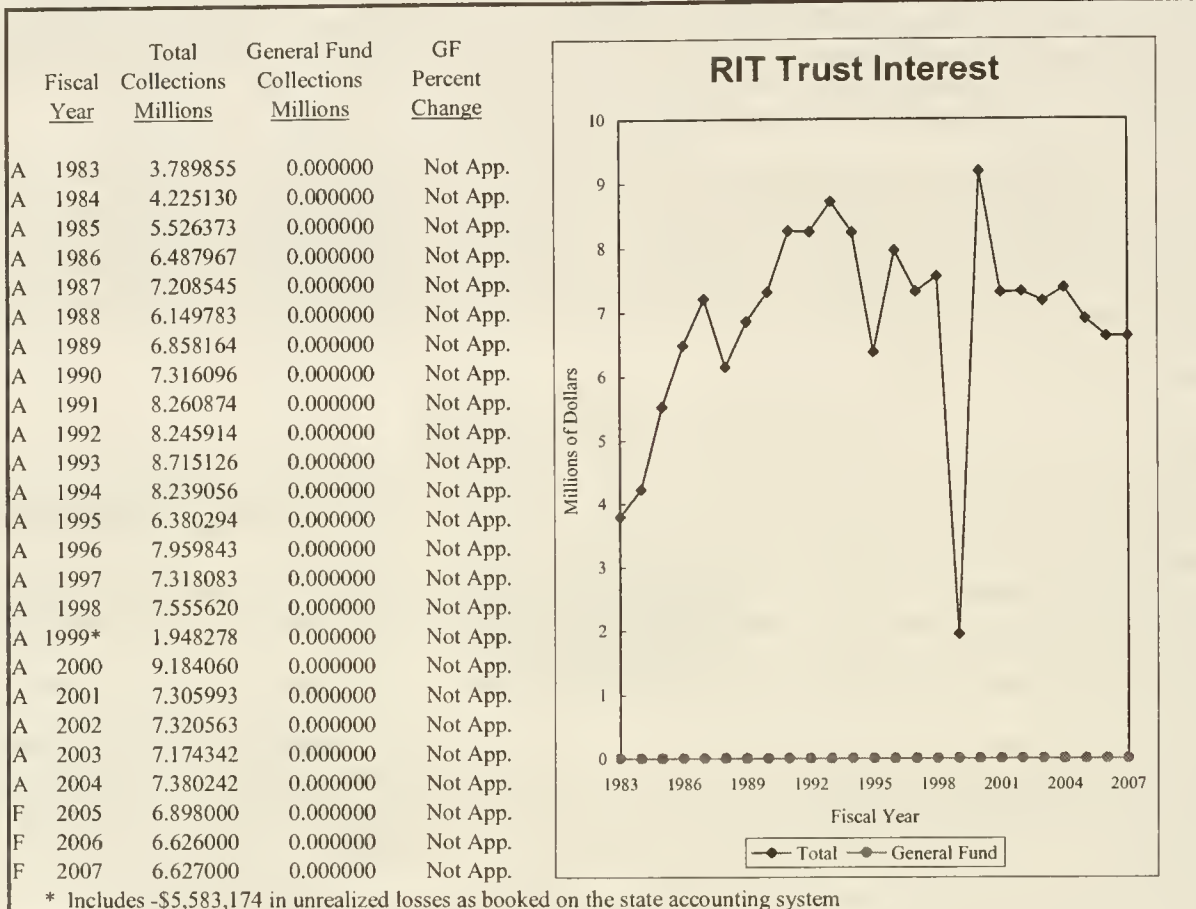
# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Trust Interest

% of Total FY 2004 General Fund Revenue: N/A

#### Revenue Projection:



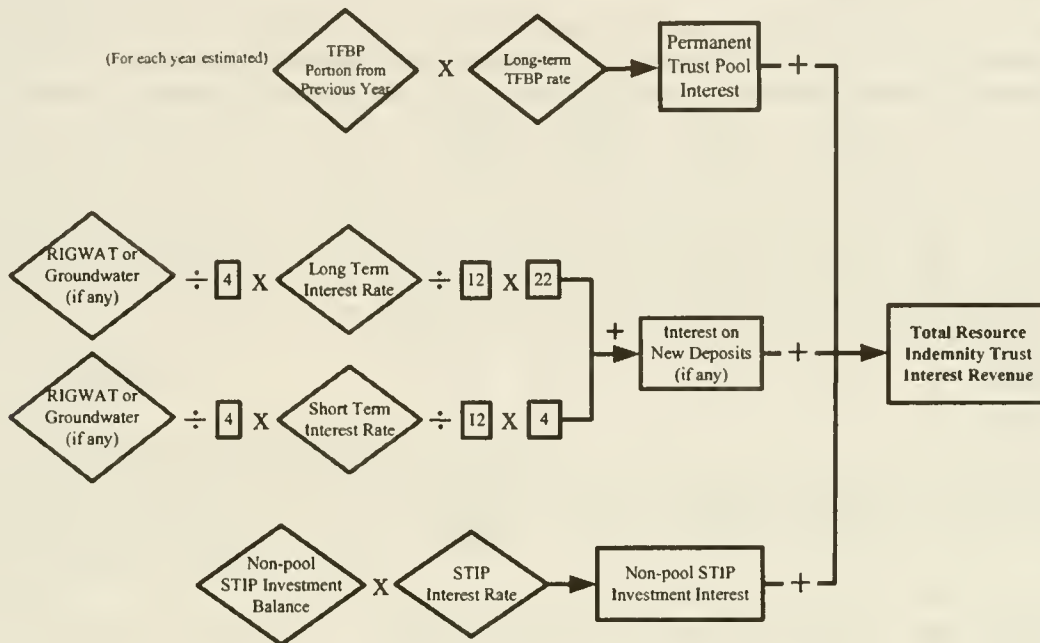


# Legislative Fiscal Division

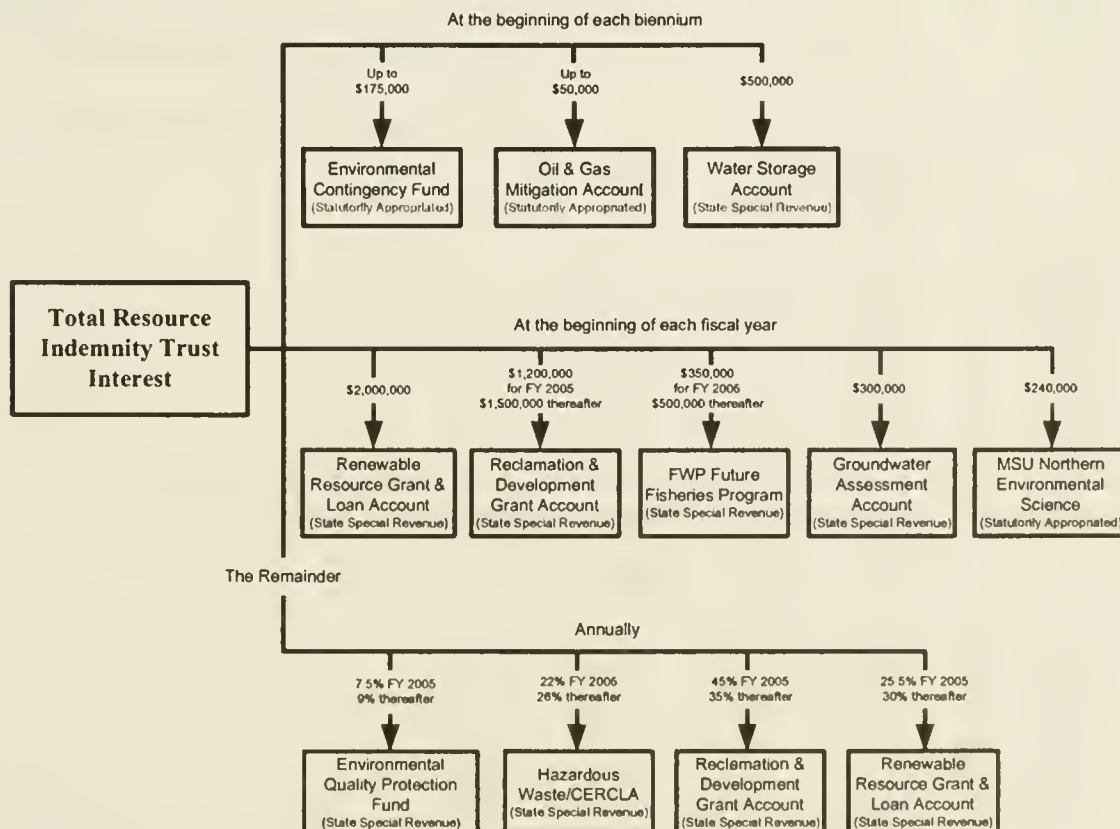
## Revenue Estimate Profile

### Resource Indemnity Trust Interest

#### Forecast Methodology



#### Distribution Methodology



# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Trust Interest

#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Rev.	GF Rev.	TFBP	STIP
	Fiscal	Millions	Millions	Interest Millions	Interest Millions
Actual	2000	9.184060	0.000000		
Actual	2001	7.305993	0.000000		
Actual	2002	7.320563	0.000000	7.286148	0.034415
Actual	2003	7.174342	0.000000	7.161271	0.013072
Actual	2004	7.380242	0.000000	7.375168	0.005073
Forecast	2005	6.898000	0.000000	6.884393	0.013925
Forecast	2006	6.626000	0.000000	6.616169	0.010362
Forecast	2007	6.627000	0.000000	6.616169	0.011572

	t	Net Tax	New Deposit	Non Pool	Non Pool
	Fiscal	New Deposit Millions	Long Term Rate	STIP Rate	STIP Bal Millions
Actual	2000	3.391472	6.3370%	5.4440%	3.712675
Actual	2001	2.205880	6.8830%	4.7420%	1.557391
Actual	2002	1.588631	6.3370%	2.5670%	2.175871
Actual	2003	0.000000	5.7290%	1.5020%	0.740511
Actual	2004	-0.000188	5.3680%	1.4050%	0.644299
Forecast	2005	0.252454	5.4930%	2.1200%	0.644299
Forecast	2006	0.000000	5.8690%	3.0840%	0.644299
Forecast	2007	0.000000	6.1860%	3.4440%	0.644299

	t	Hazardous	Environmental	Renewable	Reclamation	Environmental
	Fiscal	Waste Millions	Quality Millions	Resource Millions	Development Millions	Contingency Millions
Actual	2000	0.941319	0.319852	3.721445	3.176444	0.175000
Actual	2001	0.796322	0.274126	3.259425	2.676120	0.000000
Actual	2002	0.534446	0.185001	3.356669	2.219447	0.175000
Actual	2003	0.678555	0.231326	3.026507	2.587954	0.000000
Actual	2004	0.564353	0.192393	2.894137	2.354359	0.175000
Forecast	2005	0.617760	0.210600	2.956040	2.463600	0.000000
Forecast	2006	0.353860	0.122490	2.648300	1.976350	0.175000
Forecast	2007	0.542620	0.187830	2.866100	2.230450	0.000000

	t	Water	Oil & Gas	FWP	Groundwater
	Fiscal	Storage Millions	Receipts Millions	Receipts Millions	Receipts Millions
Actual	2000	0.500000	0.050000	0.000000	0.300000
Actual	2001	0.000000	0.000000	0.000000	0.300000
Actual	2002	0.500000	0.050000	0.000000	0.300000
Actual	2003	0.000000	0.000000	0.350000	0.300000
Actual	2004	0.500000	0.050000	0.350000	0.300000
Forecast	2005	0.000000	0.000000	0.350000	0.300000
Forecast	2006	0.500000	0.050000	0.500000	0.300000
Forecast	2007	0.000000	0.000000	0.500000	0.300000

# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Trust Interest

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**Revenue Description:** Due to passage of Montana Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate not less than 40 percent of tobacco settlement money to a permanent trust fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40 percent. Due to passage of Initiative 146 by the electorate in November 2002, 32 percent of the tobacco settlement money is to fund tobacco prevention and 17 percent is to fund the Children's Health Insurance Program. As amended in SB 485 by the 2003 legislature, money from these allocations can also be used to fund human services programs and to match federal Medicaid funds through fiscal 2005. The remaining 11 percent of the money is deposited to the general fund. Interest earnings from the trust can only be used for tobacco disease prevention programs and programs providing benefits, services, or coverage that are related to the health care needs of Montanans. The earnings cannot be used to replace state or federal money used to fund tobacco disease prevention programs and state programs that existed on December 31, 1999, providing benefits, services, or coverage of the health care needs of Montanans.

**Applicable Tax Rate(s):** NA

**Distribution:** Interest earnings from the trust fund are distributed:

1. 90 percent to a state special revenue account for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana; and
2. 10 percent to the tobacco settlement trust fund.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

**Statutory Reference:**

Tax Rate – NA

Distribution (MCA) – Montana Constitution Article XII, Section 4; 17-6-601; 17-6-603

Date Due – Interest deposits are mostly made monthly, but none in July and two in June

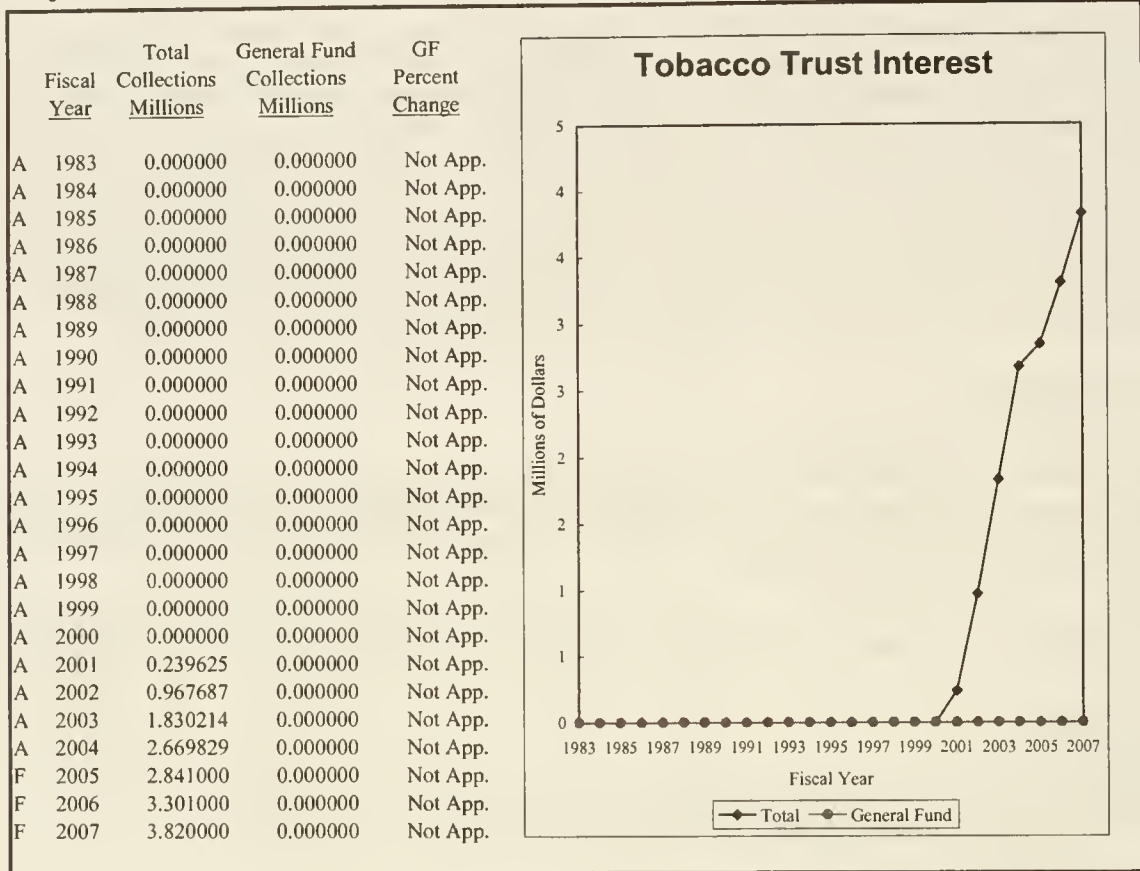
**% of Total FY 2004 General Fund Revenue:** N/A

# Legislative Fiscal Division

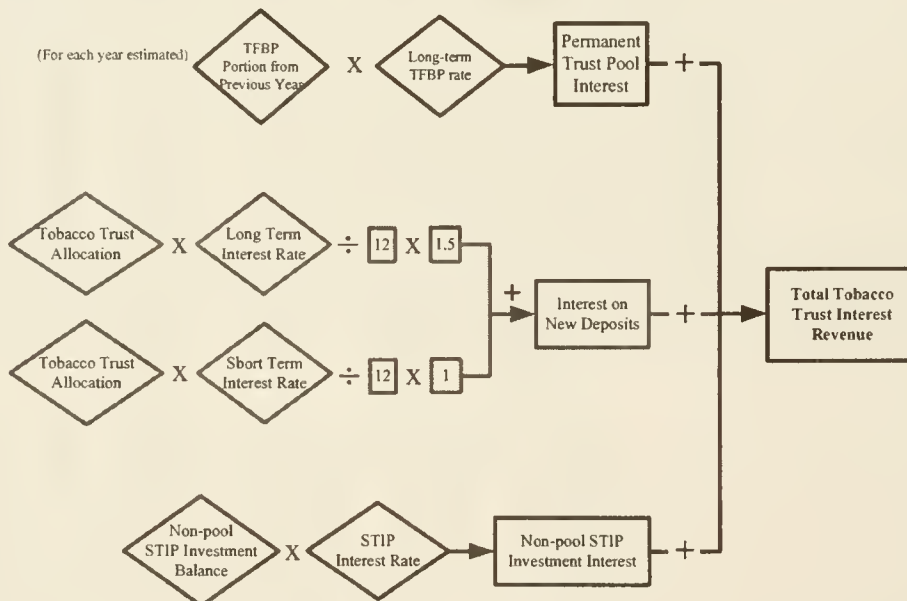
## Revenue Estimate Profile

### Tobacco Trust Interest

#### Revenue Projection:



#### Forecast Methodology





# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Trust Interest

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>TFBP</u>	<u>STIP</u>	<u>90 Percent</u>	<u>10 Percent</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000000				
Actual	2001	0.239625	0.000000				
Actual	2002	0.967687	0.000000	0.955252	0.012435		
Actual	2003	1.830214	0.000000	1.816256	0.013958	1.647000	0.183000
Actual	2004	2.669829	0.000000	2.661875	0.007953	2.403000	0.267000
Forecast	2005	2.841000	0.000000	2.813722	0.027213	2.557000	0.284000
Forecast	2006	3.301000	0.000000	3.266878	0.034474	2.971000	0.330000
Forecast	2007	3.820000	0.000000	3.782046	0.038518	3.438000	0.382000

	<u>t</u>	<u>Tobacco</u>	<u>New Deposit</u>	<u>Non Pool</u>	<u>Non Pool</u>
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	0.000000	6.3370%	5.4440%	0.000000
Actual	2001	10.650750	6.8830%	4.7420%	0.249457
Actual	2002	12.432000	6.3370%	2.5670%	0.584877
Actual	2003	12.563000	5.7290%	1.5020%	0.251155
Actual	2004	10.852000	5.3680%	1.4050%	0.132682
Forecast	2005	10.708000	5.4930%	2.1200%	0.132682
Forecast	2006	8.718000	5.8690%	3.0840%	0.132682
Forecast	2007	8.725000	6.1860%	3.4440%	0.132682

# Legislative Fiscal Division

## Revenue Estimate Profile

### Treasure State Endowment Trust Interest

**Revenue Description:** In the June 1992 election, voters approved a referendum to create the Treasure State Endowment Fund (TSEF) within the permanent coal tax trust fund. The TSEF received a \$10.0 million grant from the permanent trust principal in fiscal 1994 and receives 37.5 percent of total coal severance tax collections from July 1999 through June 2003. Beginning fiscal 2004, the trust receives 25 percent of total collections. Interest earned on the TSEF is used to finance local infrastructure projects, as prioritized by the Departments of Commerce and Natural Resources and Conservation and authorized by the legislature via the Treasure State Endowment Program (TSEP). The deposit of coal severance tax revenue to this fund terminates the end of fiscal 2016.

**Applicable Tax Rate(s):** N/A

**Distribution:** Interest earnings are allocated to the Department of Commerce to fund TSEP.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

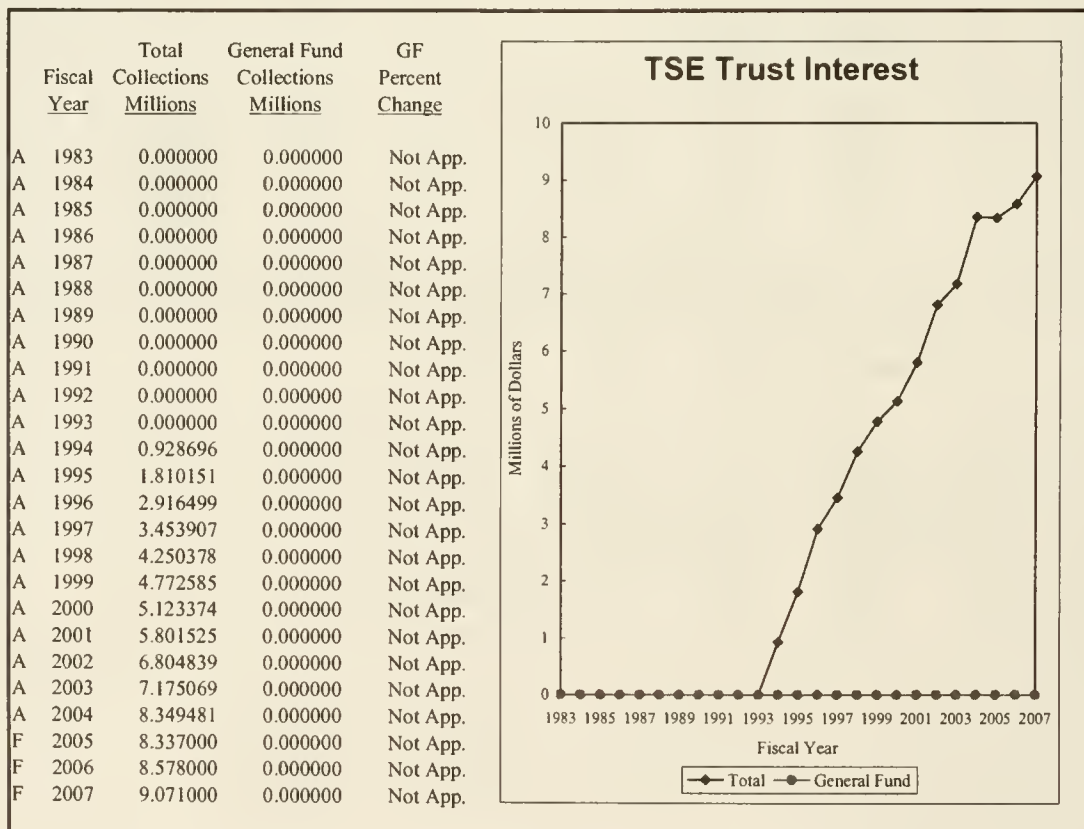
Tax Rate – NA

Distribution (MCA) – 17-5-703 (4c); use of earnings (90-6-701(2))

Date Due (MCA) – Monthly (17-5-703 (4c))

**% of Total FY 2004 General Fund Revenue:** N/A

#### Revenue Projection:

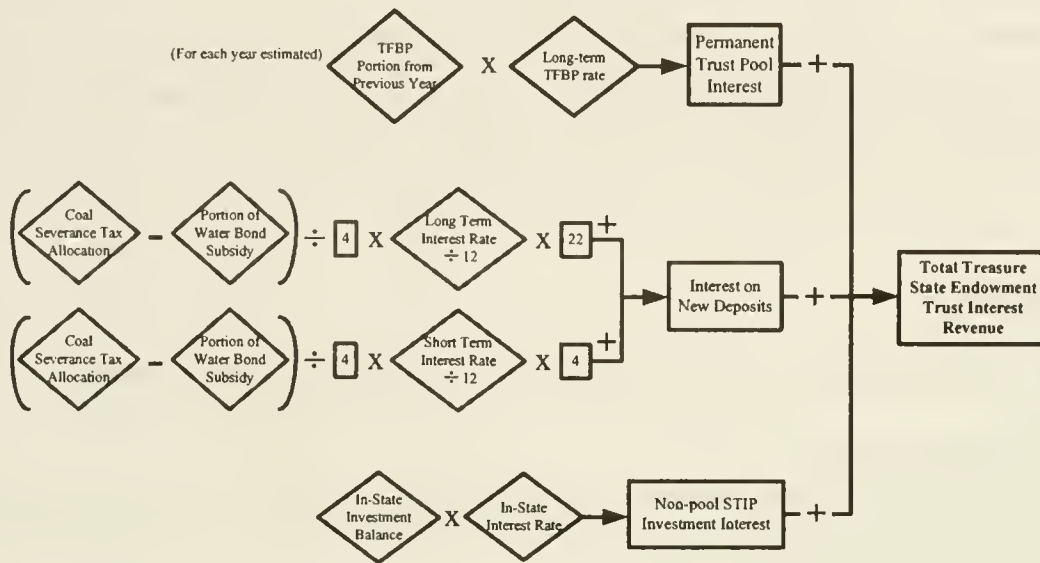


# Legislative Fiscal Division

## Revenue Estimate Profile

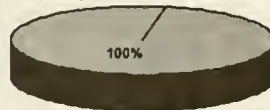
### Treasure State Endowment Trust Interest

#### Forecast Methodology



#### Distribution Methodology

State Special Revenue Fund



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Rev.	GF Rev.	TFBP	STIP	Loan
	Fiscal	Millions	Millions	Interest	Interest	Interest
				Millions	Millions	Millions
Actual	2000	5.123374	0.000000			
Actual	2001	5.801525	0.000000			
Actual	2002	6.804839	0.000000	5.107385	0.166917	1.530537
Actual	2003	7.175069	0.000000	5.718544	0.091977	1.364547
Actual	2004	8.349481	0.000000	6.929583	0.086784	1.333115
Forecast	2005	8.337000	0.000000	6.878677	0.348029	1.110743
Forecast	2006	8.578000	0.000000	7.054698	0.413493	1.110743
Forecast	2007	9.071000	0.000000	7.518408	0.442808	1.110743

	t	Net Coal Tax	New Deposit	Non Pool	Non Pool	Non Pool	Non Pool
	Fiscal	New Deposit	Long Term	STIP	Loan	STIP Bal	Loan Bal
		Millions	Rate	Rate	Rate	Millions	Millions
Actual	2000	13.301172	7.0160%	5.4440%	0.0000%	12.385400	0.000000
Actual	2001	12.126440	6.8830%	4.7420%	0.0000%	4.384216	19.223452
Actual	2002	11.855268	6.3370%	2.5670%	8.2549%	7.426826	17.858672
Actual	2003	11.033830	5.7290%	1.5020%	7.4418%	11.674509	18.813738
Actual	2004	7.886171	5.3680%	1.4050%	8.2678%	10.526991	13.434570
Forecast	2005	8.308000	5.4930%	2.1200%	8.2678%	10.526991	13.434570
Forecast	2006	7.901000	5.8690%	3.0840%	8.2678%	10.526991	13.434570
Forecast	2007	7.721000	6.1860%	3.4440%	8.2678%	10.526991	13.434570

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Treasury Cash Account Interest

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**Revenue Description:** The Department of Administration, Board of Investments is responsible for investing all state funds. Title 17, Chapter 6, MCA, provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund. Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by the legislature incorporate a blend of short and intermediate-term rates. When needed to address cash flow problems, the state typically issues tax and revenue anticipation notes (TRANS). The legislature would then adopt TRANS issuance assumptions, since this affects the average invested balance. No TRANS issues are anticipated in the 2007 biennium.

**Applicable Tax Rate(s):** N/A

**Distribution:** All investment earnings on the treasury cash account (TCA) are deposited into the general fund.

#### Summary of Legislative Action:

Senate Bill 130 – The legislation requires interest earnings from balances in the micro business development loan account and the micro business finance program administrative account to be deposited in the latter account. Because the earnings had previously been deposited to the general fund, general fund revenues decrease \$13,507 each year.

Treasury Cash Account Interest -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
SB0130 Revise microbusiness development program		(13,507)	(13,507)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$13,507)</u>	<u>(\$13,507)</u>

#### Statutory Reference:

Tax Rate – NA

Distribution (MCA) – 17-6-202(2)

Date Due – interest deposits are mostly made monthly, but two in June and none in July

**% of Total FY 2004 General Fund Revenue:** 0.46%

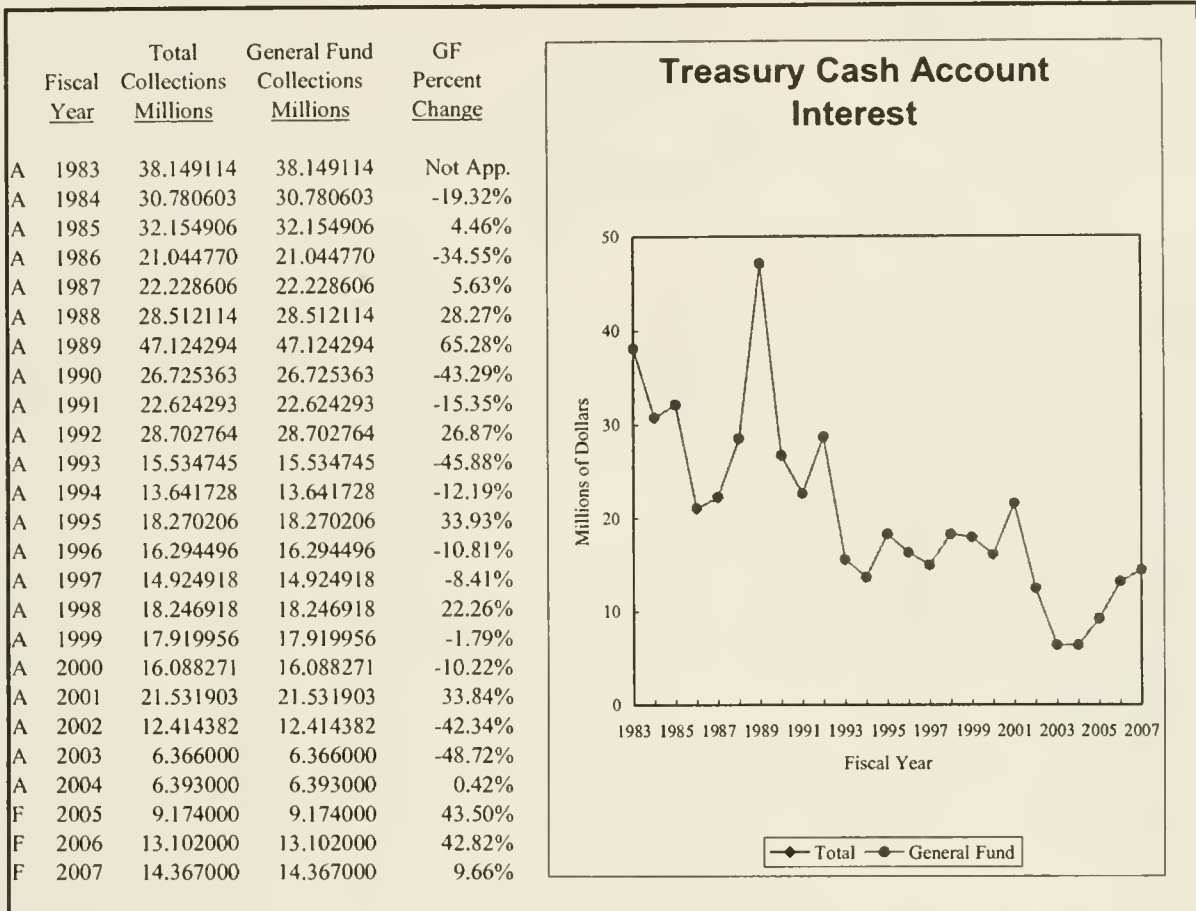


# Legislative Fiscal Division

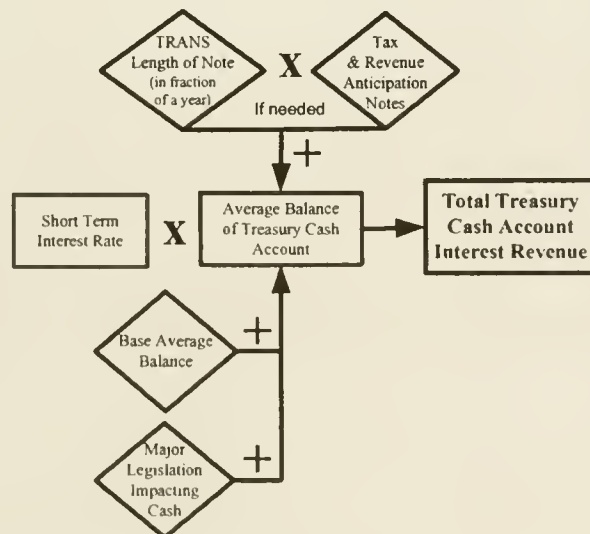
## Revenue Estimate Profile

### Treasury Cash Account Interest

#### Revenue Projection:



#### Forecast Methodology

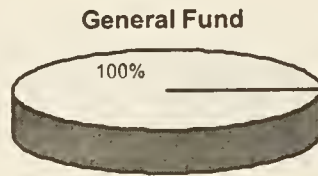


# Legislative Fiscal Division

## Revenue Estimate Profile

### Treasury Cash Account Interest

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>Avg. Bal.</u>	<u>Interest</u>	<u>Issue</u>	<u>TRANS</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Cost</u>
Actual	2000	16.088271	16.088271	303.627590	0.052987	0.000000	0.000000
Actual	2001	21.531903	21.531903	334.705188	0.064331	0.000000	0.000000
Actual	2002	12.414382	12.414382	273.343304	0.045417	0.000000	0.000000
Actual	2003	6.366439	6.366439	273.928913	0.023241	0.026498	1.639327
Actual	2004	6.392992	6.392992	311.477974	0.020525	0.002027	0.099188
Forecast	2005	9.174000	9.174000	351.477974	0.027675	0.017868	0.000000
Forecast	2006	13.116000	13.116000	351.477974	0.037315	0.024092	0.000000
Forecast	2007	14.381000	14.381000	351.477974	0.040915	0.026417	0.000000

	<u>t</u>	<u>Base Bal.</u>	<u>TRANS</u>	<u>TRANS</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Length</u>
Actual	2000	303.628000	0.000000	0.000000
Actual	2001	334.705000	0.000000	0.000000
Actual	2002	273.343000	0.000000	0.000000
Actual	2003	212.062000	92.800000	0.666667
Actual	2004	262.545000	73.400000	0.666667
Forecast	2005	351.477974	0.000000	0.000000
Forecast	2006	351.477974	0.000000	0.000000
Forecast	2007	351.477974	0.000000	0.000000

# CONSUMPTION TAXES

Beer Tax

Cigarette Tax

Diesel Tax

Gasoline Tax

GVW & Other Fees

Liquor Excise & License Tax

Liquor Profits

Lottery Profits

Tobacco Tax

Video Gambling Tax

Wine Tax







# Legislative Fiscal Division

## Revenue Estimate Profile

### Beer Tax

**Revenue Description:** A tax is levied on each barrel of beer (31 gallons) produced in or imported into Montana based on the amount produced. A small portion of the revenue from the beer license tax is returned to Indian tribes per an agreement between the Department of Revenue and the tribes.

**Applicable Tax Rate(s):** The per barrel tax varies based on barrels of production:

- up to 5,000 barrels - \$1.30
- 5,001 to 10,000 barrels - \$2.30
- 10,001 to 20,000 barrels - \$3.30
- over 20,000 barrels - \$4.30

**Distribution:** Beer tax revenue is distributed 76.74 percent to the general fund and 23.26 percent to the DPHHS state special revenue alcohol account. The general fund portion is reduced by the amount of the tribal distribution.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

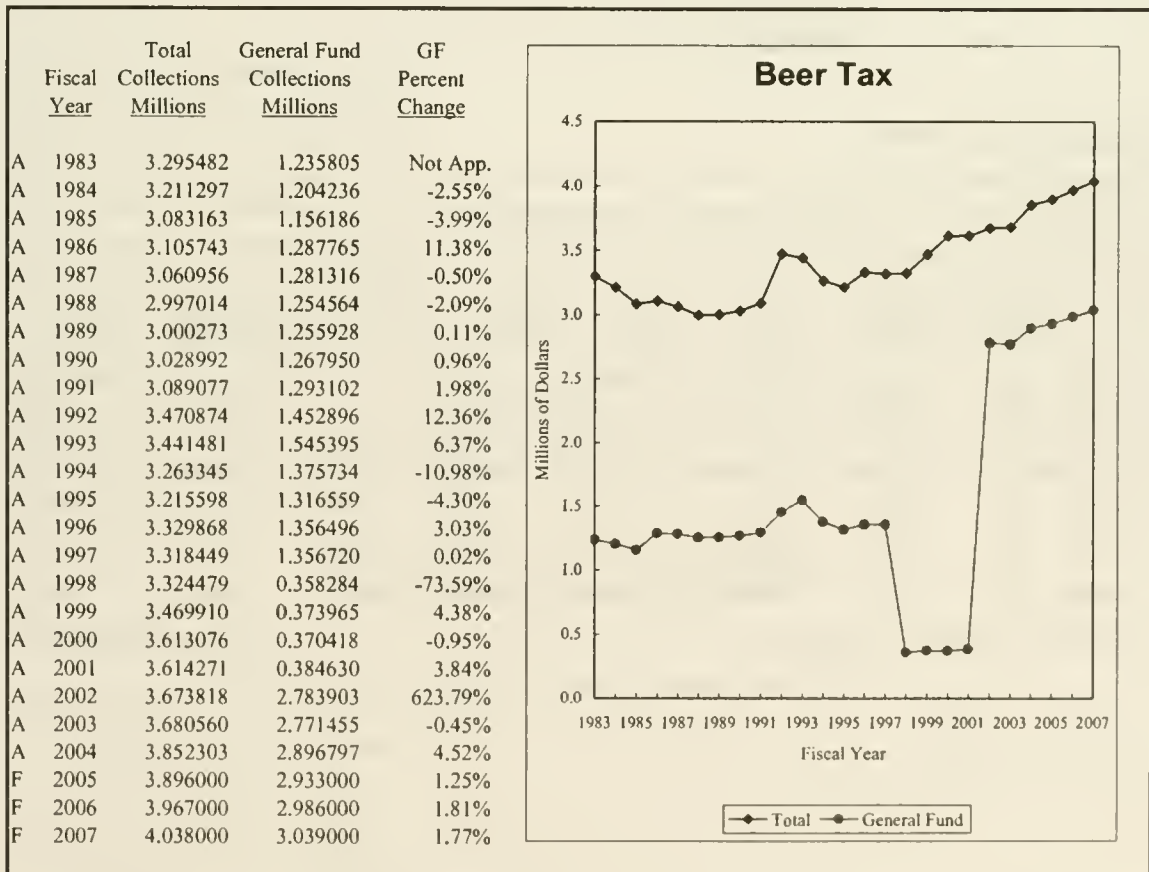
Tax Rate (MCA) – 16-1-406

Distribution (MCA) – 16-1-406

Date Due – end of the month and collected in the next month

**% of Total FY 2004 General Fund Revenue:** 0.21%

#### Revenue Projection:

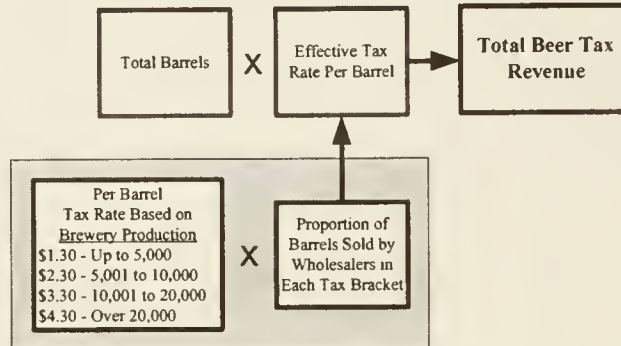


# Legislative Fiscal Division

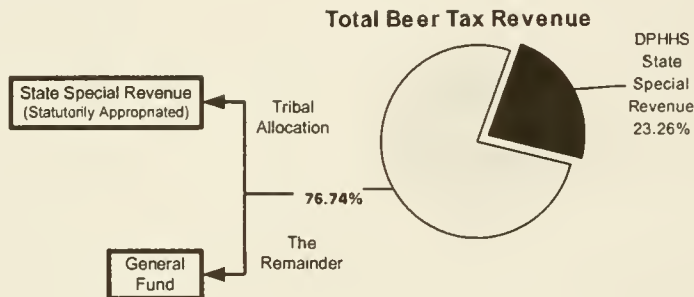
## Revenue Estimate Profile

### Beer Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Barrels</u> <u>Millions</u>	<u>Tax Rate</u> <u>Per Barrel</u>	<u>Effective</u> <u>Tax Rate</u> <u>Per Barrel</u>	<u>GF Percent</u> <u>Allocation</u>	<u>Tribal</u> <u>Millions</u>
Actual	2000	3.613076	0.370418	0.840250	4.300000		0.116283	0.049723
Actual	2001	3.614271	0.384630	0.840528	4.300000		0.116300	0.035710
Actual	2002	3.673818	2.783903	0.867120	4.300000	4.236803	0.767400	0.035385
Actual	2003	3.680560	2.771455	0.869267	4.300000	4.234098	0.767400	0.053007
Actual	2004	3.852303	2.896797	0.900678	4.300000	4.277113	0.767400	0.059460
Forecast	2005	3.896000	2.933000	0.910932	4.300000	4.277113	0.767400	0.057000
Forecast	2006	3.967000	2.986000	0.927613	4.300000	4.277113	0.767400	0.058000
Forecast	2007	4.038000	3.039000	0.944294	4.300000	4.277113	0.767400	0.060000

$$\text{GF Tax} = \text{Barrels} * \text{Effective Tax Rate} - \text{Tribal}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Cigarette Tax

**Revenue Description:** The cigarette tax is an excise tax imposed on all cigarettes sold or possessed in Montana. The tax is imposed on the retail consumer, but is collected by wholesalers or retailers through the use of tax insignia. The insignias are purchased from the state and affixed to each package of cigarettes. The tax does not apply to quota cigarettes sold on an Indian reservation. In practice, the tax is levied on all cigarettes and the wholesaler receives a refund for the amount within the quota that has been sold within the boundaries of an Indian reservation. Each tribe's quota is equal to 150.0 percent of Montana's per capita tax on cigarettes multiplied by the enrolled tribal member population, or any other amount agreed to in a state-tribal agreement. The state has agreements with five tribes in Montana.

Beginning May 1, 2003, the Fifty-eighth Legislature passed SB 407 increasing the tax on cigarettes to \$0.70 per 20-cigarette package, a 289 percent increase from the previous \$0.18 tax. Shortly thereafter, the electorate approved I-149 that raised the tax on packs of 20 cigarettes by \$1.00 to \$1.70, beginning January 1, 2005, an increase of 143 percent. Both SB 407 and I-149 changed the distributor percentage discounts, but the amounts that distributors are allowed to retain for administration of the tax stayed relatively constant. SB 407 changed the distribution of the tax revenues to increase the amount deposited into the state general fund. I-149 increased tax revenues for veterans' nursing home operation and maintenance and provided revenue to a new state special revenue fund for health and Medicaid initiatives.

#### Applicable Tax Rate(s):

- Beginning January 2005, the excise tax on cigarettes is \$1.70 per package of 20 cigarettes, prorated for packages that differ from 20 cigarettes.
- Wholesalers pay a license fee of \$50.00 and each retailer pays a license fee of \$5.00. License fees are renewable each year and are non-transferable. Revenue from these fees is shown in "All Other General Fund Revenue".

**Distribution:** All wholesaler and retailer license fees are deposited in the general fund. Beginning January 2005 and after deductions for tribal refunds, the cigarette tax revenue is distributed:

- The greater of 8.3% or \$2.0 million to DPHHS for veterans' nursing home operation and maintenance
- 2.6% to the long-range building program
- 44.0% for health and Medicaid initiatives
- The remainder (45.1%) to the general fund

#### Summary of Legislative Action:

House Bill 643 – In addition to an \$808,500 reduction in cigarette tax revenues in the 2007 biennium by prohibiting smoking in all public schools and in all places where the public is free to enter, "all other general fund" revenue is also impacted. The impacts and effects on this latter source are shown in the "all other general fund" revenue source. Bars are excluded from the provisions until September 30, 2009. The prohibition is expected to reduce cigarette consumption and the associated tax revenues by 0.75 percent annually. Provisions of the bill require that buildings owned or operated by a political subdivision be "smoke-free" by July 1, 2006. Consequently, reductions in FY 2006 are expected to be half the annual reduction and the full effects of the state revenue reduction will not occur until FY 2007. State special revenue collections are reduced \$144,348 in FY 2006 and \$278,493 in FY 2007. Capital project revenue is reduced \$7,176 in FY 2006 and \$13,845 in FY 2007. General fund revenue is reduced \$124,476 in fiscal 2006 and \$240,157 in FY 2007. The legislation is effective October 1, 2005.

#### Cigarette Tax -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0643 Eliminate smoking in enclosed public places		(124,476)	(240,157)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$124,476)</u>	<u>(\$240,157)</u>

# Legislative Fiscal Division

## Revenue Estimate Profile

### Cigarette Tax

#### Statutory Reference:

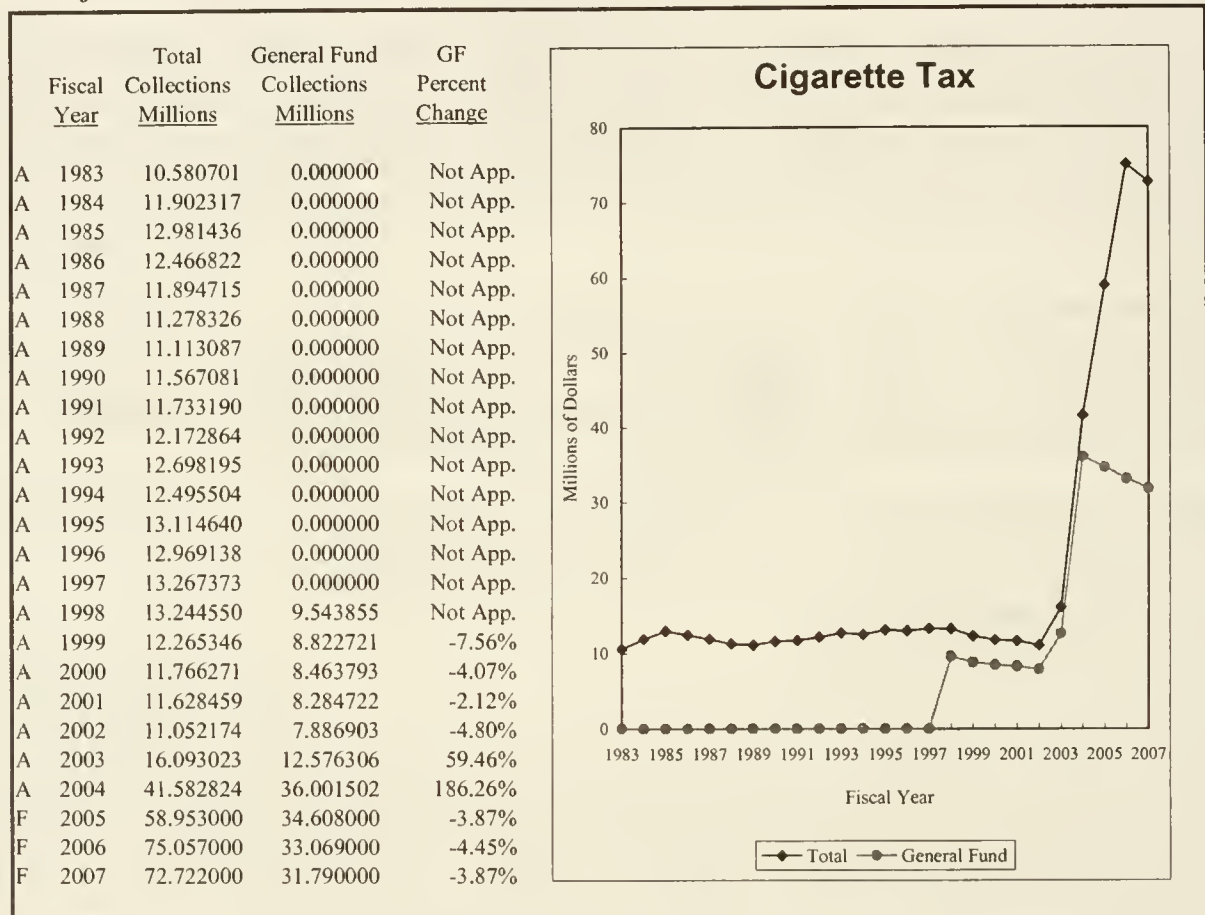
Tax Rate (MCA) – 16-11-111

Tax Distribution (MCA) – 16-11-119

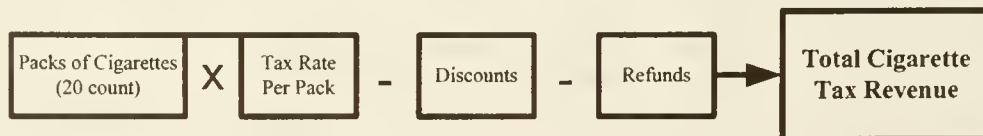
Date Due – within 30 days after purchase of the insignia (16-11-117)

**% of Total FY 2004 General Fund Revenue: 2.61%**

#### Revenue Projection:



#### Forecast Methodology





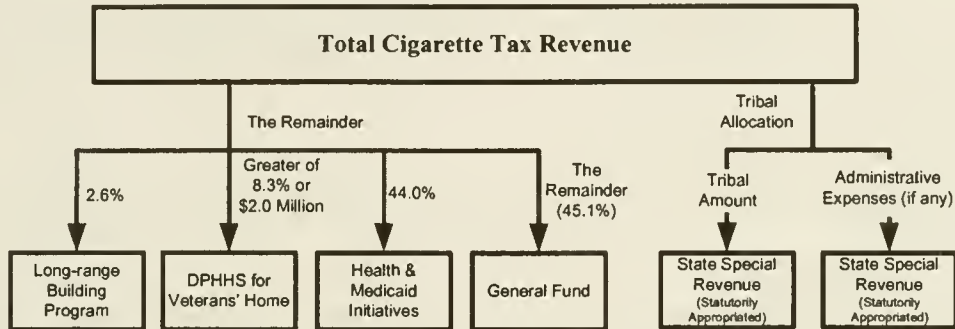
# Legislative Fiscal Division

## Revenue Estimate Profile

### Cigarette Tax

#### Distribution Methodology

Beginning January 2005



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Pack</u> <u>Millions</u>	<u>Tax Rate</u> <u>Per Pack</u>	<u>GF Percent</u> <u>Allocation</u>	<u>Tribal</u> <u>Millions</u>	<u>Dis./Refunds</u> <u>Millions</u>
Actual	2000	11.766271	8.463793		0.180000	0.719327	0.178384	
Actual	2001	11.628459	8.284722		0.180000	0.712452	0.285740	
Actual	2002	11.052174	7.886903		0.180000	0.713606	0.254115	
Actual	2003	16.093023	12.576306		0.266667	0.781476	0.285856	
Actual	2004	41.582824	36.001502	60.906841	0.700000	0.865778	0.396269	1.051966
Forecast	2005	58.953000	34.608000	50.228131	1.200000	0.595151	0.803000	1.320396
Forecast	2006	75.333000	33.193000	45.239163	1.700000	0.451000	1.735000	1.573201
Forecast	2007	73.254000	32.030000	43.990562	1.700000	0.451000	2.234000	1.529781

$$\text{GF Tax} = \text{Packs} * \text{Tax Rate} - \text{Tribal} * \text{GF Percent Allocation}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Diesel Tax

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**Revenue Description:** The Montana Constitution (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of special fuels (primarily diesel): 1) the main source of revenue is a diesel tax of \$0.2775 per gallon paid to the Department of Transportation (DOT) for every gallon of diesel sold or used in the state; and 2) a tax of \$0.0075 is assessed on each gallon of diesel fuel for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0 percent of the diesel tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for commercial vehicle use other than for use on public highways and streets, governmental use, and nonpublic school use for the transportation of pupils.

#### Applicable Tax Rate(s):

1. Diesel (Special) Fuel Tax - \$0.2775 per gallon
2. Petroleum Storage Tank Cleanup Tax - \$0.0075

**Distribution:** After reductions for: 1) the 1.0 percent withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement that are deposited in the tribal motor fuels administration account; 3) diesel tax refunds; and 4) amounts refunded through the international fuel tax agreement, diesel tax proceeds are distributed to DOT. Of that amount, 1/4 of \$0.01 per gallon is allocated specifically to the funding of highway system maintenance.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

Tax Rate (MCA) – 15-70-321(2), 15-11-313 (storage tank cleanup)  
Tax Distribution (MCA) – 15-70-101(1), 75-11-314 (storage tank cleanup)  
Date Due – 25<sup>th</sup> of the following month (15-70-344(1))

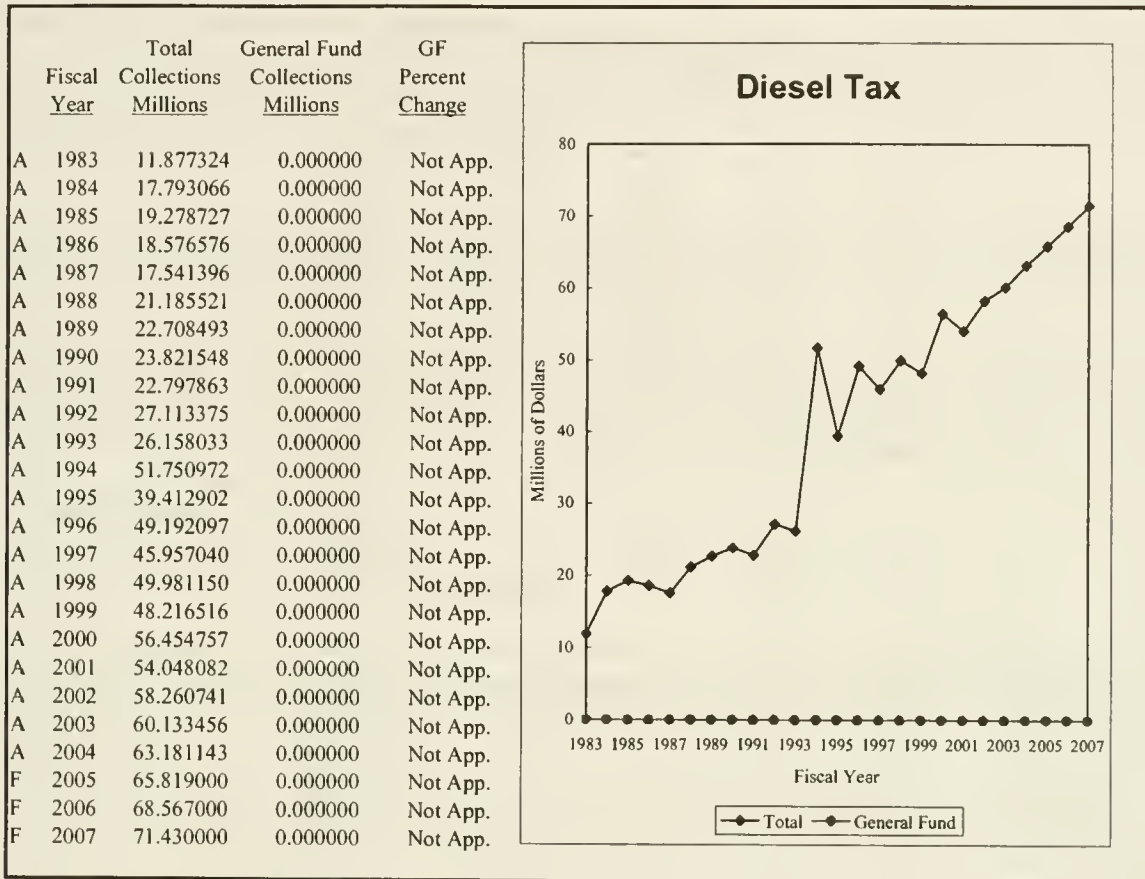
**% of Total FY 2004 General Fund Revenue:** N/A

# Legislative Fiscal Division

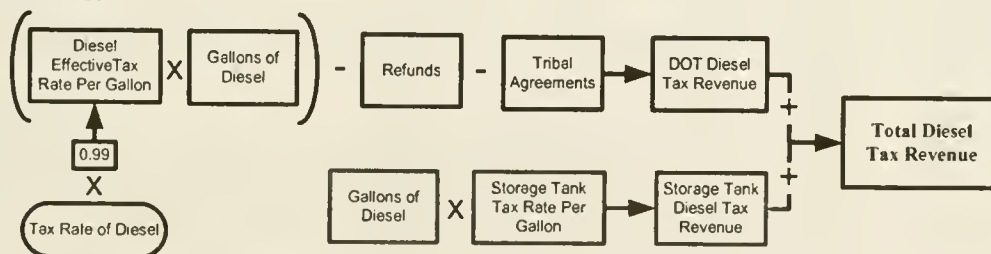
## Revenue Estimate Profile

### Diesel Tax

#### Revenue Projection:

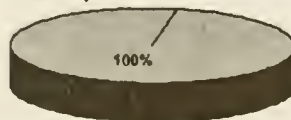


#### Forecast Methodology



#### Distribution Methodology

##### State Special Revenue Fund



# Legislative Fiscal Division

## Revenue Estimate Profile

### Diesel Tax

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Gross</u> <u>Millions</u>	<u>Diesel Tax</u> <u>Millions</u>	<u>Tank Tax</u> <u>Millions</u>
Actual	2000	56.454757	0.000000	59.780702	54.259213	2.195544
Actual	2001	54.048082	0.000000	57.941310	51.861214	2.186868
Actual	2002	58.260741	0.000000	62.220598	56.094333	2.166408
Actual	2003	60.133456	0.000000	64.332478	57.901809	2.231647
Actual	2004	63.181143	0.000000	67.600256	60.750470	2.430673
Forecast	2005	65.819000	0.000000	70.422431	63.286680	2.532149
Forecast	2006	68.567000	0.000000	73.362427	65.928772	2.637861
Forecast	2007	71.430000	0.000000	76.425162	68.681168	2.747986

	<u>t</u> <u>Fiscal</u>	<u>Refunds</u> <u>Millions</u>	<u>Diesel</u> <u>Effective</u> <u>Rate</u>	<u>Tank</u> <u>Effective</u> <u>Rate</u>	<u>Gallons</u> <u>Millions</u>	<u>Tank</u> <u>Gallons</u> <u>Millions</u>
Actual	2000	-3.325945	0.274725	0.007500	209.610185	292.739200
Actual	2001	-3.893228	0.274725	0.007500	202.946372	291.582400
Actual	2002	-3.959857	0.274725	0.007500	218.597470	288.854400
Actual	2003	-4.199022	0.274725	0.007500	226.047251	297.552933
Actual	2004	-4.419113	0.274725	0.007500	237.217519	324.089733
Forecast	2005	-4.603602	0.274725	0.007500	247.120876	337.619831
Forecast	2006	-4.795794	0.274725	0.007500	257.437678	351.714784
Forecast	2007	-4.996008	0.274725	0.007500	268.185186	366.398173

	<u>t</u> <u>Fiscal</u>	<u>GF</u> <u>Percent</u>	<u>DOT</u> <u>Percent</u>	<u>GF</u> <u>Millions</u>	<u>DOT</u> <u>Millions</u>
Actual	2000	0.0000%	100.0000%	0.000000	54.259213
Actual	2001	0.0000%	100.0000%	0.000000	51.861214
Actual	2002	0.0000%	100.0000%	0.000000	56.094333
Actual	2003	0.0000%	100.0000%	0.000000	57.901809
Actual	2004	0.0000%	100.0000%	0.000000	60.750470
Forecast	2005	0.0000%	100.0000%	0.000000	63.287000
Forecast	2006	0.0000%	100.0000%	0.000000	65.929000
Forecast	2007	0.0000%	100.0000%	0.000000	68.682000



# Legislative Fiscal Division

## Revenue Estimate Profile

### Gasoline Tax

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**Revenue Description:** The constitution of the state (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of gasoline: 1) the primary source of revenue is a gasoline license tax of \$0.27 per gallon paid to the Department of Transportation (DOT) by every distributor for the privilege of selling gasoline; and 2) a tax of \$.0075 assessed on each gallon of gasoline for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0 percent of the gasoline tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for denaturing alcohol used in gasohol, stationary gasoline engines used off public highways and streets, and commercial vehicle use other than for use on public highways and streets.

#### Applicable Tax Rate(s):

1. Gasoline License Tax - \$0.27 per gallon
2. Petroleum Storage Tank Cleanup Tax - \$.0075

**Distribution:** After reductions for: 1) the 1.0 percent withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement that are deposited in the tribal motor fuels administration account; 3) gasoline tax refunds; and 4) amounts refunded through the international fuel tax agreement, the remainder of the gasoline tax is allocated as follows:

- 9/10 of 1.0% to the state park account
- 15/28 of 1.0% to a snowmobile account in the state special revenue fund. This amount is further allocated 86.0% for general use, 4.33% for enforcement, 8.67% for safety and education, and 1.0% to the noxious weed trust.
- 1/8 of 1.0% to an off-highway vehicle account in the state special revenue fund. This amount is further allocated 90% for general use (including repair of damaged areas) and 10% for safety.
- 1/25 of 1.0% to the aeronautics revenue fund of the Department of Transportation
- 98.3993% to DOT to be used for highway-related purposes, primarily construction projects and administrative costs. One-fourth of \$.01 per gallon is allocated specifically to the funding of highway system maintenance.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this revenue source.

#### Statutory Reference:

Tax Rate (MCA) – 15-70-204(1), 15-11-314 (storage tank cleanup)  
Distribution (MCA) – 15-70-101(1), 60-3-201(1), 75-11-313 (storage tank cleanup)  
Date Due – 25<sup>th</sup> of the following month (15-70-205(1))

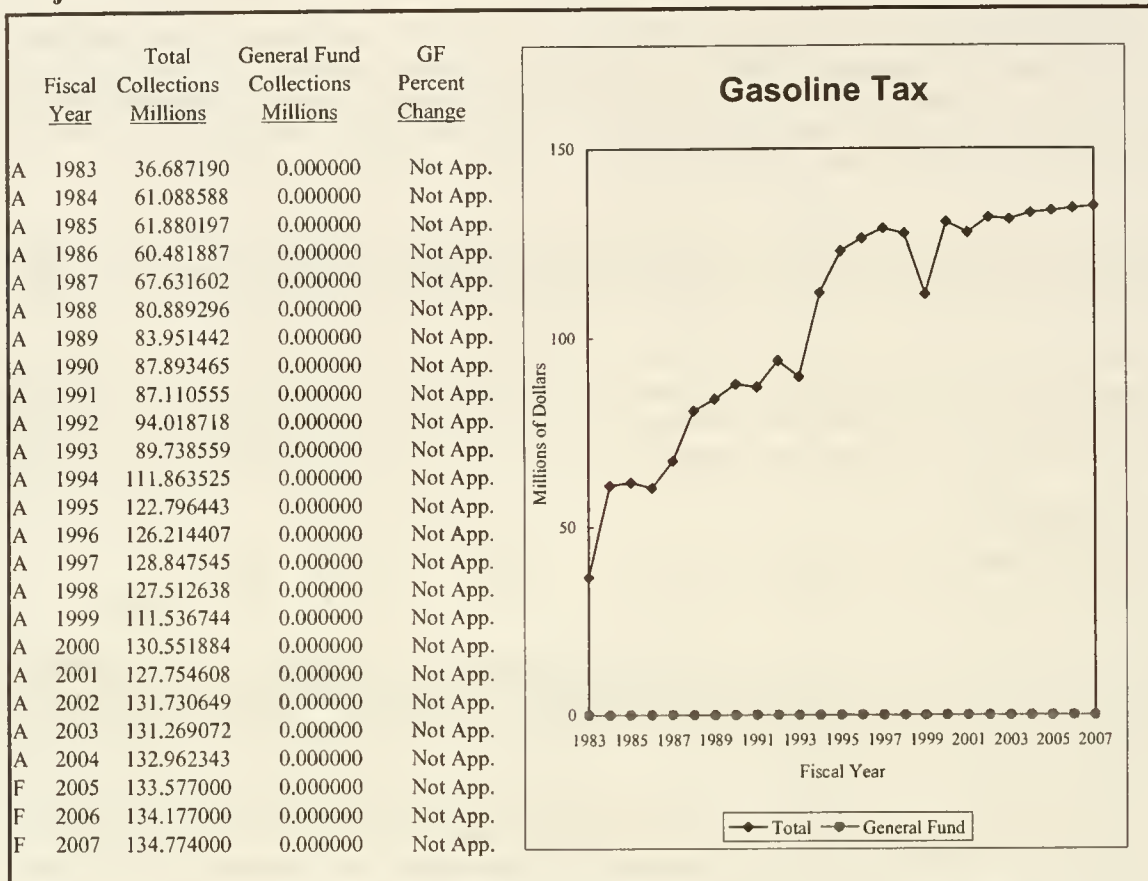
**% of Total FY 2004 General Fund Revenue:** N/A

# Legislative Fiscal Division

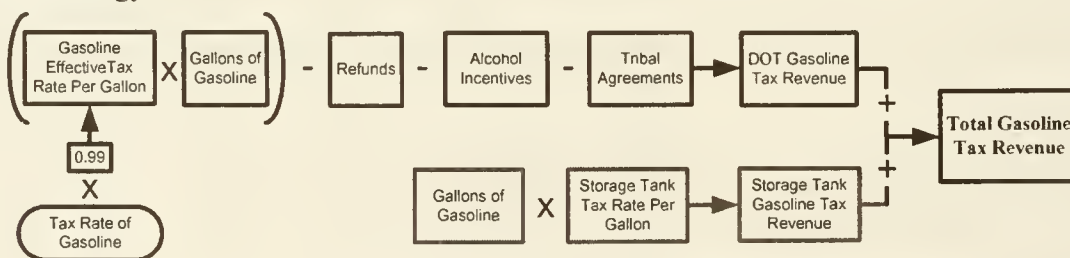
## Revenue Estimate Profile

### Gasoline Tax

#### Revenue Projection:

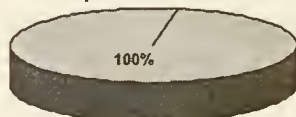


#### Forecast Methodology



#### Distribution Methodology

##### State Special Revenue Fund



# Legislative Fiscal Division

## Revenue Estimate Profile

### Gasoline Tax

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Gross Tax</u>	<u>Gas Tax</u>	<u>Tank Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	130.551884	0.000000	137.379589	126.764307	3.787577
Actual	2001	127.754608	0.000000	134.969262	124.059136	3.695472
Actual	2002	131.730649	0.000000	138.612875	128.001188	3.729461
Actual	2003	131.269072	0.000000	137.967329	127.490014	3.779058
Actual	2004	132.962343	0.000000	139.553197	129.154089	3.808254
Forecast	2005	133.577000	0.000000	140.158997	129.752186	3.824786
Forecast	2006	134.177000	0.000000	140.767427	130.335774	3.841389
Forecast	2007	134.774000	0.000000	141.378499	130.916157	3.858064

	<u>t</u>	<u>Refunds</u>	<u>Alcohol</u>	<u>Tribal</u>	<u>Gas</u>	<u>Tank</u>	<u>Gallons</u>	<u>Tank</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Incentives</u>	<u>Millions</u>	<u>Effective</u>	<u>Effective</u>	<u>Millions</u>	<u>Gallons</u>
			<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>		<u>Millions</u>
Actual	2000	-3.267807	0.000000	-3.559898	0.267300	0.007500	499.783060	505.01027
Actual	2001	-3.458208	0.000000	-3.756446	0.267300	0.007500	491.110325	492.72960
Actual	2002	-3.152765	0.000000	-3.729461	0.267300	0.007500	504.614343	497.26147
Actual	2003	-2.985118	0.000000	-3.713139	0.267300	0.007500	502.013734	503.87440
Actual	2004	-2.829688	0.000000	-3.761166	0.267300	0.007500	507.837422	507.76720
Forecast	2005	-2.841972	0.000000	-3.740053	0.267300	0.007500	510.041944	509.97142
Forecast	2006	-2.854309	0.000000	-3.735955	0.267300	0.007500	512.256036	512.18520
Forecast	2007	-2.866700	0.000000	-3.737578	0.267300	0.007500	514.479739	514.40860

	<u>t</u>	<u>GF</u>	<u>DOT</u>	<u>FWP Snow</u>	<u>FWP Boat</u>	<u>Aeronautics</u>	<u>Off Highway</u>
	<u>Fiscal</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	0.0000%	98.3551%	0.4729%	0.9253%	0.0411%	0.0000%
Actual	2001	0.0000%	98.3544%	0.4698%	0.9272%	0.0418%	0.0000%
Actual	2002	0.0000%	98.3640%	0.4711%	0.9227%	0.0411%	0.0000%
Actual	2003	0.0000%	98.3533%	0.4734%	0.9262%	0.0412%	0.0000%
Actual	2004	0.0000%	98.3535%	0.4734%	0.9262%	0.0412%	0.0000%
Forecast	2005	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%
Forecast	2006	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%
Forecast	2007	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%

# Legislative Fiscal Division

## Revenue Estimate Profile

### Gasoline Tax

	t	DOT	FWP Snow	FWP Boat	Aeronautics
	<u>Fiscal</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	0.01030%	0.02060%	0.05140%	0.01030%
Actual	2001	0.01030%	0.02050%	0.05140%	0.01030%
Actual	2002	0.01030%	0.01950%	0.04920%	0.01030%
Actual	2003	0.01030%	0.02060%	0.05150%	0.01030%
Actual	2004	0.01030%	0.02060%	0.05140%	0.01030%
Forecast	2005	0.00540%	0.02320%	0.04640%	0.01250%
Forecast	2006	0.00540%	0.02320%	0.04640%	0.01250%
Forecast	2007	0.00540%	0.02320%	0.04640%	0.01250%

	t	GF	DOT	FWP Snow	FWP Boat	Aeronautics	Off Highway
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	124.679120	0.599491	1.172918	0.052130	0.143357
Actual	2001	0.000000	122.017676	0.582819	1.150251	0.051863	0.141735
Actual	2002	0.000000	125.907096	0.603018	1.181094	0.052552	0.143185
Actual	2003	0.000000	125.390592	0.603563	1.180857	0.052481	0.144352
Actual	2004	0.000000	127.027523	0.611397	1.196224	0.053166	0.146194
Forecast	2005	0.000000	127.616000	0.615000	1.201000	0.053000	0.150000
Forecast	2006	0.000000	128.189000	0.618000	1.207000	0.054000	0.151000
Forecast	2007	0.000000	128.762000	0.620000	1.212000	0.054000	0.151000

		Weed	Snow Enforce.	Snow Con-Ed.	OHV Con-Ed.
	t	Gasoline	Gasoline	Gasoline	Gasoline
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.013032	0.026065	0.065162	0.013032
Actual	2001	0.012782	0.025441	0.063787	0.012782
Actual	2002	0.013138	0.024943	0.063024	0.013138
Actual	2003	0.013120	0.026270	0.065659	0.013120
Actual	2004	0.013299	0.026570	0.066424	0.013292
Forecast	2005	0.007000	0.031000	0.062000	0.017000
Forecast	2006	0.007000	0.031000	0.062000	0.017000
Forecast	2007	0.007000	0.031000	0.062000	0.017000



# Legislative Fiscal Division

## Revenue Estimate Profile

### GVW and Other Fees

**Revenue Description:** There are two types of revenue derived from over 20 different sources classified under gross vehicle weight (GVW) and other income: fee revenue and permit revenue. The majority of revenue is derived from a variety of GVW fees, including those fees collected by counties when vehicles are registered. Miscellaneous permits comprise the second income component under this source.

**Applicable Tax Rate(s):** Various

**Distribution:** The majority of GVW revenue is allocated to the Department of Transportation. The single state registration system fee is deposited to the general fund and is accounted for in the "All Other General Fund Revenue" profile.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

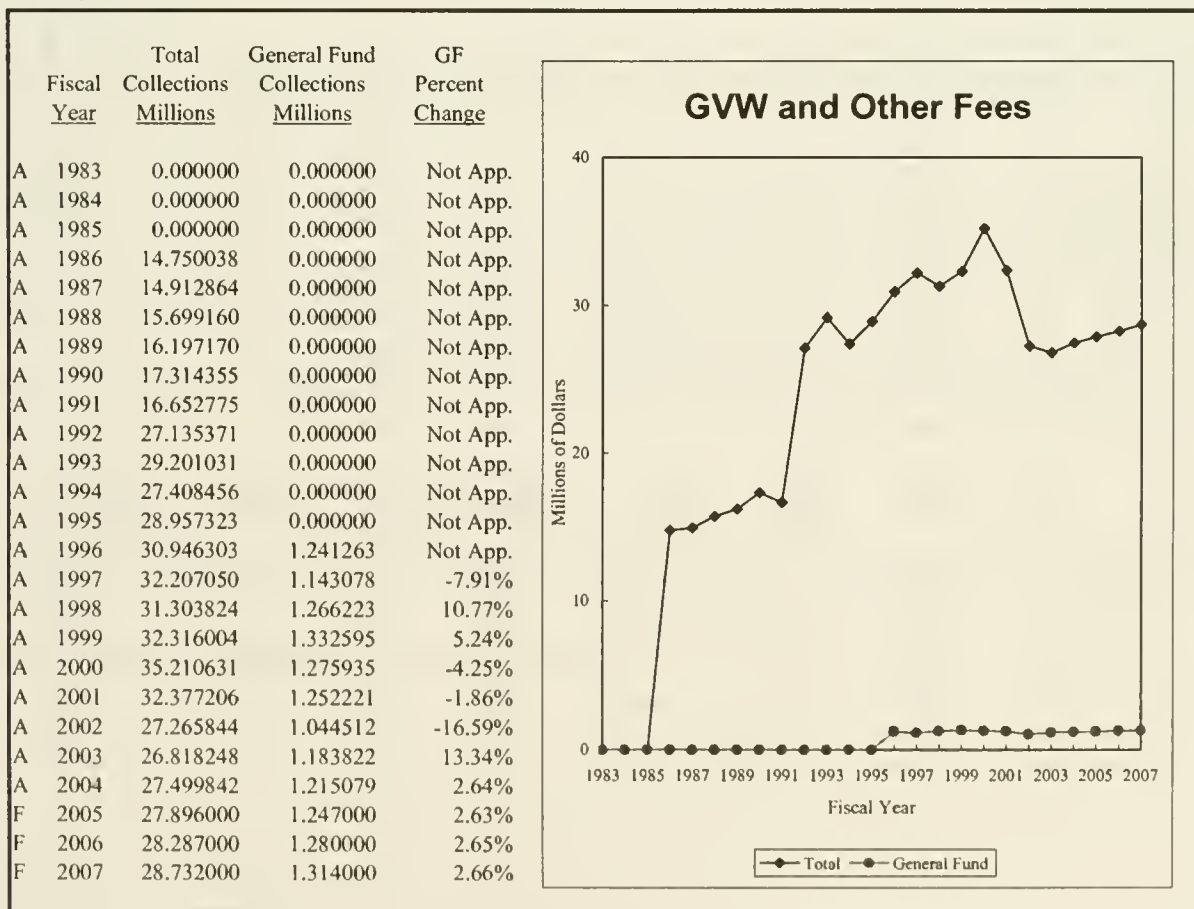
Tax Rate – Multiple, single state registration fee (Administrative Rules 18.8.202)

Tax Distribution (MCA) – Multiple, single state registration fee (61-3-708)

Date Due – upon registration and annually thereafter or prior to the new year if permit is wanted by then (61-3-708)

**% of Total FY 2004 General Fund Revenue:** 0.00% (the general portion is included in "All Other General Fund")

#### Revenue Projection:



# Legislative Fiscal Division

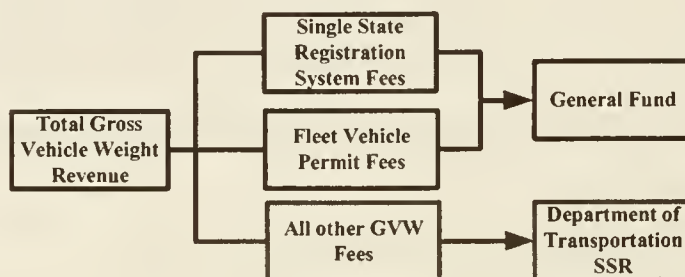
## Revenue Estimate Profile

### GVW and Other Fees

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>GVW</u> <u>Millions</u>	<u>SSRS</u> <u>Millions</u>	<u>Form 3</u> <u>Millions</u>	<u>Trip</u> <u>Millions</u>	<u>County</u> <u>Millions</u>
Actual	2000	35.210631	1.275935	8.852775	1.275935	0.855910	0.880540	7.321056
Actual	2001	32.377206	1.252221	8.363842	1.252221	0.812782	0.844991	7.681434
Actual	2002	27.265844	1.044512	8.813717	1.044512	0.859843	0.440875	8.933475
Actual	2003	26.818248	1.183822	8.503261	1.183822	1.043854	0.441475	8.800388
Actual	2004	27.499842	1.215079	8.586289	1.215080	1.006892	0.455112	9.397954
Forecast	2005	27.896000	1.247000	8.708122	1.247163	1.025373	0.455112	9.531304
Forecast	2006	28.287000	1.280000	8.831683	1.280093	1.016133	0.455112	9.666546
Forecast	2007	28.732000	1.314000	8.956998	1.313892	1.020753	0.455112	9.803707

	<u>t</u> <u>Fiscal</u>	<u>Sales</u> <u>Millions</u>	<u>Overweight</u> <u>Millions</u>	<u>Special</u> <u>Millions</u>	<u>Restricted</u> <u>Millions</u>	<u>Fuel</u> <u>Millions</u>	<u>LPG</u> <u>Millions</u>	<u>Other</u> <u>Millions</u>
Actual	2000	12.533721	1.459102	0.918654	0.000000	0.105370	0.000000	1.007568
Actual	2001	9.923131	1.768619	0.953853	0.000000	0.124626	0.000000	0.651707
Actual	2002	-0.639815	1.845340	0.902845	0.000000	0.107580	0.000000	4.957472
Actual	2003	0.000000	1.815747	0.921775	0.000000	0.105750	0.000000	4.002176
Actual	2004	0.000000	1.902635	0.977915	0.000000	0.108120	0.000000	3.849845
Forecast	2005	0.000000	1.975324	0.994231	0.000000	0.109747	0.000000	3.849845
Forecast	2006	0.000000	2.064098	1.013017	0.000000	0.110263	0.000000	3.849845
Forecast	2007	0.000000	2.193544	1.028190	0.000000	0.110208	0.000000	3.849845

# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Excise and License Tax

---

**Revenue Description:** The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. An excise tax is collected both on liquor sold by DOR and for liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A portion of the excise tax revenue is returned to Indian tribes through an agreement with the department.

#### Applicable Tax Rate(s):

##### Excise Tax Rate

- 16.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 13.8% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

##### License Tax Rate

- 10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

#### Distribution:

Excise tax revenue, less amounts distributed to Indian tribes, is deposited in the enterprise fund for transfer to the general fund.

License tax revenue is allocated to the enterprise fund for transfer 34.5 % to the general fund and 65.5% to the Department of Public Health and Human Services for alcohol treatment and rehabilitation programs.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

Tax Rate (MCA) – Excise tax (16-1-401), License tax (16-1-404)

Tax Distribution (MCA) – Excise tax (16-16-1-401), License tax (16-1-404)

Date Due – Excise tax is collected at the time of sale and distributed by the 10<sup>th</sup> day of each month. License tax is collected at the time of sale.

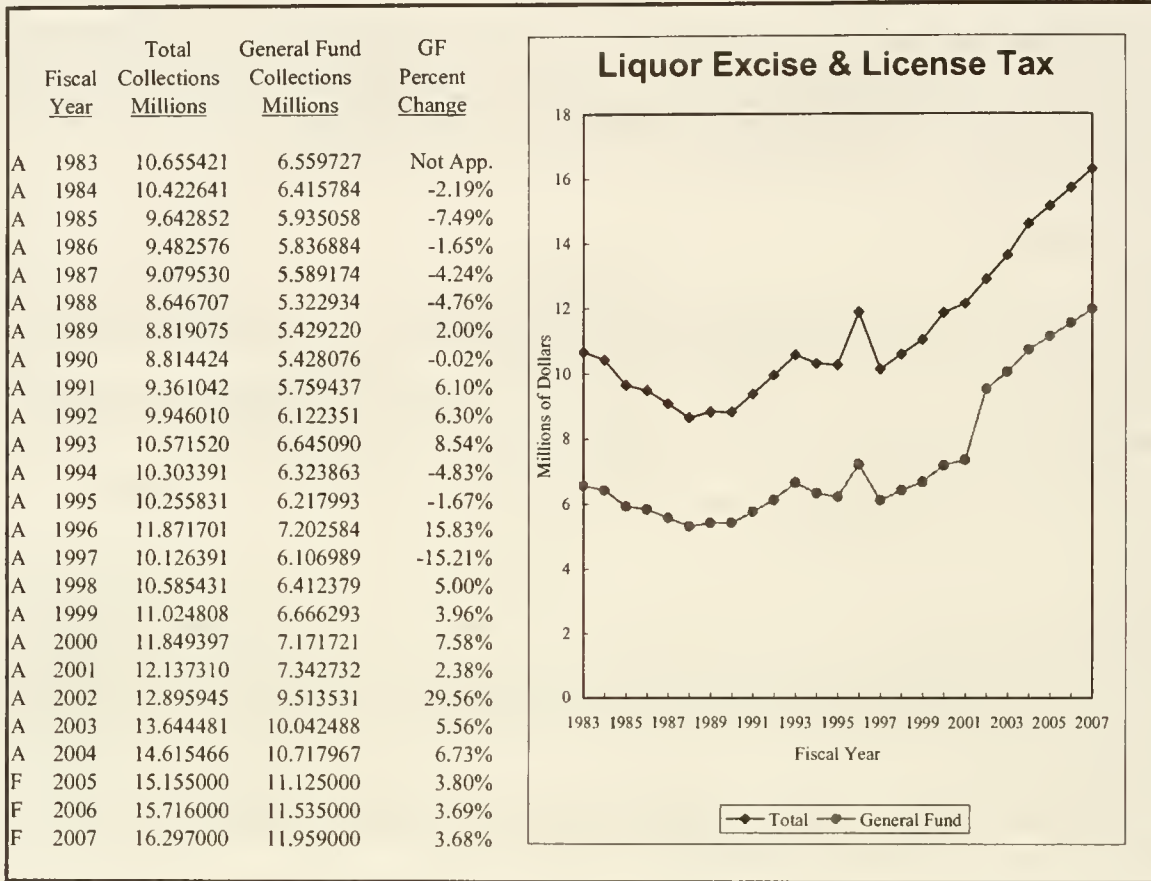
**% of Total FY 2004 General Fund Revenue:** 0.78%

# Legislative Fiscal Division

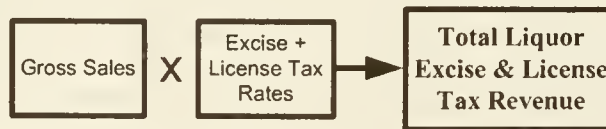
## Revenue Estimate Profile

### Liquor Excise and License Tax

#### Revenue Projection:



#### Forecast Methodology



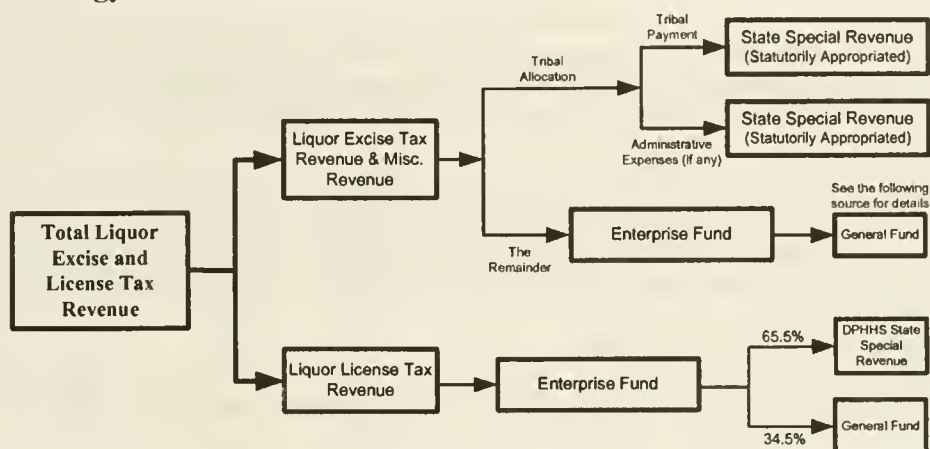


# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Excise and License Tax

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Tribal</u> <u>Millions</u>	<u>Gross</u> <u>Sales</u>	<u>Excise</u> <u>Rate</u>	<u>License</u> <u>Rate</u>	<u>GF Tax</u> <u>Allocation</u>
Actual	2000	11.849397	7.171721	0.118276	45.609283	0.160000	0.100000	
Actual	2001	12.137310	7.342732	0.126171	46.701813	0.160000	0.100000	
Actual	2002	12.895945	9.513531	0.133456	49.615021	0.160000	0.100000	0.344908
Actual	2003	13.644481	10.042488	0.165323	52.479352	0.160000	0.100000	0.345000
Actual	2004	14.615466	10.717967	0.216395	56.212333	0.160000	0.100000	0.345000
Forecast	2005	15.155000	11.125000	0.212000	58.288629	0.160000	0.100000	0.345000
Forecast	2006	15.716000	11.535000	0.222000	60.445308	0.160000	0.100000	0.345000
Forecast	2007	16.297000	11.959000	0.232000	62.681785	0.160000	0.100000	0.345000

$$\text{GF Tax} = \text{Gross Sales} * \text{Excise Rate} - \text{Tribal} + \text{Gross Sales} * \text{License Rate} * \text{GF Tax Allocation}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Profits

**Revenue Description:** The Department of Revenue (DOR) is authorized to sell liquor and fortified wine to retail liquor establishments throughout the state. These sales result in profits that are deposited in the general fund. Tax revenues generated from liquor excise and license taxes, as well as wine taxes, are estimated under separate methodologies.

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and fortified wine, less costs such as commissions and discounts. House Bill 348 enacted by the 2001 legislature phased-in liquor store commission increases based on sales volume over a three-year period beginning fiscal 2003. A 40.0 percent mark-up is added to the state's base cost for liquor. The state's mark-up percentage on the base cost of fortified wine (excluding hard cider) varies according to the size of the container:

- 1.5 liter – 42% plus \$0.27/bottle
- 1.0, .720 and .750 liter – 51% plus \$0.12/bottle
- .375 liter – 59% plus \$0.02/bottle

The mark-up percentage for both liquor and wine is determined by administrative rule (see ARM 42.11.104).

**Applicable Tax Rate(s):** N/A

**Distribution:** Liquor profits are usually deposited in the general fund annually.

#### Summary of Legislative Action:

House Bill 2 – The amount of money appropriated from certain accounts inversely impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature, such as those in HB 2, may differ and, thus, may affect revenue. Increases in appropriations to the Department of Revenue from the liquor enterprise fund reduce liquor profits transferred to the general fund by \$23,199 each year.

House Bill 447 – Money to pay for salary and benefit increases for state employees is appropriated in the legislation. The amount of money appropriated from certain accounts inversely impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature, such as those in HB 447, may differ and, thus, may affect revenue. Increases in appropriations to the Department of Revenue from the liquor enterprise fund reduce liquor profits transferred to the general fund by \$44,938 in FY 2006 and \$118,008 in FY 2007.

Liquor Profits -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0002 General appropriations act		(23,199)	(23,199)
HB0447 Increase state employee pay		(44,938)	(118,008)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$68,137)</u>	<u>(\$141,207)</u>

#### Statutory Reference:

Tax Rate – Authority to markup the price is found in 16-1-404(2) and ARM 42.11.104

Tax Distribution (MCA) – 16-2-108(4)

Date Due - NA

**% of Total FY 2004 General Fund Revenue:** 0.47%

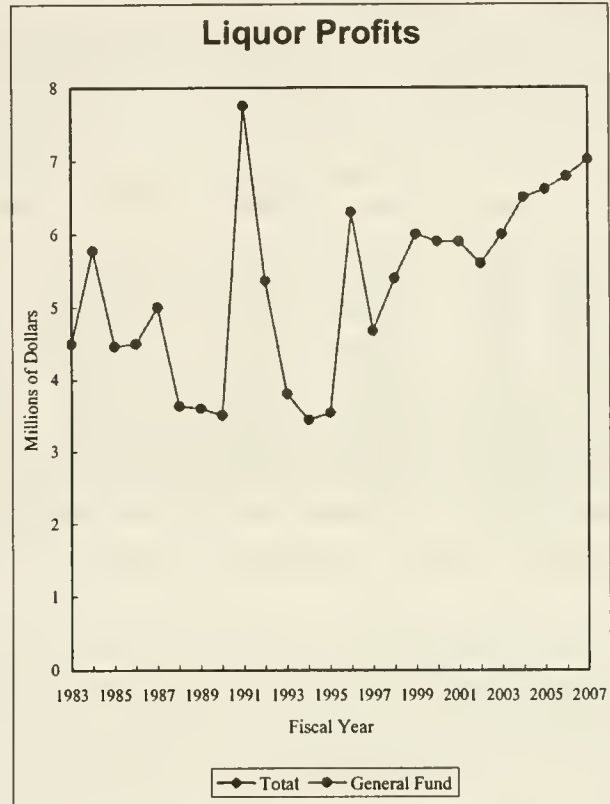
# Legislative Fiscal Division

## Revenue Estimate Profile

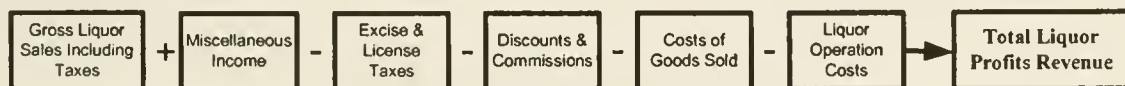
### Liquor Profits

#### Revenue Projection:

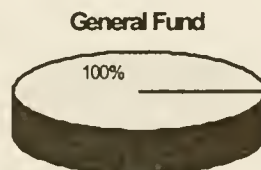
	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1983	4.500000	4.500000	Not App.
A	1984	5.782000	5.782000	28.49%
A	1985	4.466000	4.466000	-22.76%
A	1986	4.500000	4.500000	0.76%
A	1987	5.000000	5.000000	11.11%
A	1988	3.633000	3.633000	-27.34%
A	1989	3.600000	3.600000	-0.91%
A	1990	3.500000	3.500000	-2.78%
A	1991	7.750000	7.750000	121.43%
A	1992	5.363000	5.363000	-30.80%
A	1993	3.800000	3.800000	-29.14%
A	1994	3.437523	3.437523	-9.54%
A	1995	3.537241	3.537241	2.90%
A	1996	6.300000	6.300000	78.10%
A	1997	4.675000	4.675000	-25.79%
A	1998	5.400000	5.400000	15.51%
A	1999	6.000000	6.000000	11.11%
A	2000	5.900000	5.900000	-1.67%
A	2001	5.900000	5.900000	0.00%
A	2002	5.600000	5.600000	-5.08%
A	2003	6.000000	6.000000	7.14%
A	2004	6.500000	6.500000	8.33%
F	2005	6.608000	6.608000	1.66%
F	2006	6.786000	6.786000	2.69%
F	2007	7.017000	7.017000	3.40%



#### Forecast Methodology



#### Distribution Methodology



# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Profits

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#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>1</u> <u>Fiscal</u>	<u>GF Profit</u> <u>Millions</u>	<u>Gross</u> <u>Sales</u>	<u>Excise/Lic</u> <u>Tax</u>	<u>Dis/Comm</u> <u>Millions</u>	<u>Cost of</u> <u>Goods</u>	<u>Operation</u> <u>Costs</u>	<u>Other</u> <u>Income</u>
Actual	2000	5.900000	57.467696	11.853082	6.003244	32.318259	1.202429	0.039667
Actual	2001	5.900000	58.844284	12.141061	6.134579	33.666541	1.301124	0.003416
Actual	2002	5.600000	62.514926	12.898347	6.797458	35.279453	1.477563	0.008387
Actual	2003	6.000000	66.123983	13.643474	7.432835	37.321005	1.484600	0.007831
Actual	2004	6.500000	70.827539	14.613826	8.165280	39.933421	1.299518	0.009589
Forecast	2005	6.608000	73.443672	15.155044	8.467395	41.920179	1.301755	0.008602
Forecast	2006	6.854000	76.161088	15.715780	8.780689	43.471225	1.348516	0.008674
Forecast	2007	7.158000	78.979049	16.297264	9.105575	45.079661	1.347718	0.008955

GF Profit = Gross Sales + Other Income – Excise /Lic Tax – Dis/Comm – Cost of Goods – Operation Costs



# Legislative Fiscal Division

## Revenue Estimate Profile

### Lottery Profits

**Revenue Description:** The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game was launched in June 1987. A lottery is generally defined as "any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize". The games are administered by the Department of Administration. By law, a minimum of 45.0 percent of the money paid for tickets or chances must be paid out as prizes.

Lottery revenue is derived from ticket sales, sales agents license fees, and unclaimed prizes. Sales revenue is initially deposited into an enterprise fund known as the state lottery fund. After paying prizes, ticket costs, commissions, and other operating costs, any profits are transferred to the general fund.

**Applicable Tax Rate(s):** There is no actual tax rate involved. However, applicants for sales agent licenses are charged a \$50.00 fee to cover the cost of investigating and processing the applications.

**Distribution:** All gross lottery revenue not used for prizes, commissions, administration, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund), is considered net revenue. This net revenue is transferred to the general fund. Senate Bill 55, passed by the 1999 legislature, requires the Department of Commerce to submit a biennium budget for the state lottery fund for appropriation by the legislature. By determining the amount appropriated, the legislature has better control over the amount transferred to the general fund.

#### Summary of Legislative Action:

House Bill 2 - The amount of money appropriated from certain accounts inversely impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature, such as those in HB 2, may differ and, thus, may affect revenue. Changes in appropriations to the Department of Commerce from the lottery enterprise fund increase liquor profits transferred to the general fund by \$599,671 in FY 2006 and reduce general fund by \$329 in FY 2007.

House Bill 447 - Money to pay for salary and benefit increases for state employees is appropriated in the legislation. The amount of money appropriated from certain accounts inversely impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature, such as those in HB 447, may differ and, thus, may affect revenue. Increases in appropriations to the Department of Commerce from the lottery enterprise fund reduce lottery profits transferred to the general fund by \$43,328 in FY 2006 and \$113,317 in FY 2007.

#### Lottery Profits -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0002 General appropriations act		599,671	(329)
HB0447 Increase state employee pay		(43,328)	(113,317)
Total Estimated General Fund Impact	\$0	\$556,343	(\$113,646)

#### Statutory Reference:

Tax Rate - NA

Distribution (MCA) - 23-7-402(3)

Date Due - quarterly (23-7-402(3))

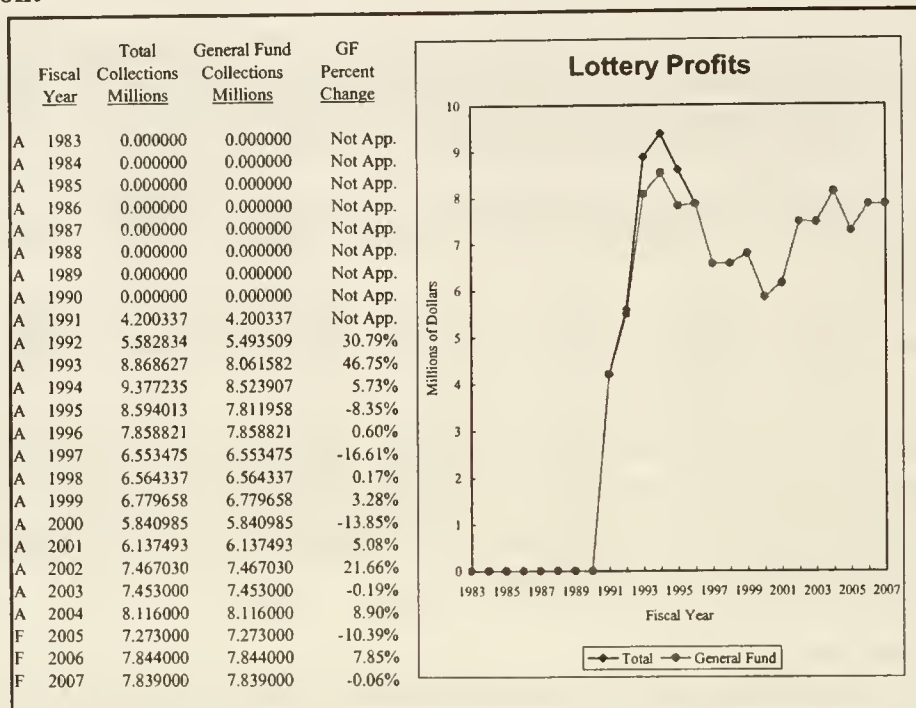
**% of Total FY 2004 General Fund Revenue:** 0.59%

# Legislative Fiscal Division

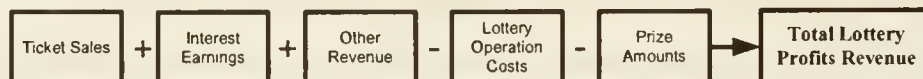
## Revenue Estimate Profile

### Lottery Profits

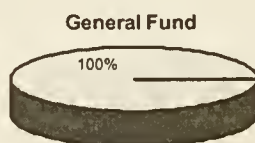
#### Revenue Projection:



#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Profit	GF Profits	Sales	Interest	Other	Operating	Prizes
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	5.840985	5.840985	29.899809	0.278620	0.075465	7.091950	17.320959
Actual	2001	6.137493	6.137493	30.366526	0.275320	0.056324	7.098631	17.462046
Actual	2002	7.467030	7.467030	33.632276	0.145685	0.039096	7.264246	19.085781
Actual	2003	7.453281	7.453281	34.682494	0.077164	0.014065	7.721733	19.598709
Actual	2004	8.115602	8.115602	36.737657	0.043993	0.002536	7.897710	20.770874
Forecast	2005	7.273000	7.273000	34.984738	0.063214	0.002536	7.976687	19.800872
Forecast	2006	7.288000	7.288000	35.135860	0.092355	0.002536	8.056457	19.886405
Forecast	2007	7.953000	7.953000	35.249202	0.103469	0.002536	7.451322	19.950555

$$\text{GF Profits} = \text{Sales} + \text{Interest} + \text{Other} - \text{Operating} - \text{Prizes}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Tax

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**Revenue Description:** The tobacco tax is an excise tax on tobacco products sold in Montana. Cigarettes are not subject to the tobacco tax. The tax is considered a direct tax on retail consumers, but is collected by the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to the tax.

Beginning May 1, 2003, the Fifty-eighth Legislature passed SB 407 that doubled the tax on all tobacco products other than cigarettes and moist snuff from 12.5 percent to 25.0 percent of the wholesale price. Furthermore, moist snuff is now taxed individually, increasing the rate from the equivalent of \$0.28 an ounce to \$0.35 an ounce. Beginning January 1, 2005, the electorate approved I-149 that raised the tax on other tobacco products to 50 percent of the wholesale price and moist snuff to \$0.85 per ounce. Wholesalers are allowed a discount of 2.5 percent, until January 1, 2005 when the discount will be reduced to 1.5 percent, to cover collection and administrative expenses. The wholesaler is entitled to a refund for tobacco products that remain unsold. I-149 adjusted distributions to allow half of the tax revenues to flow into the state general fund and half to flow into a new state special revenue fund for health and Medicaid initiatives.

The state has tobacco revenue sharing agreements with three tribes in Montana. In the agreements with the Blackfeet, Ft. Belknap, and Ft. Peck tribes, the state collects the tax imposed by the tribes and distributes the revenue to the tribes on a quarterly basis. Indian consumers of tobacco on other reservations are exempt from paying the tobacco tax.

#### Applicable Tax Rate(s):

##### Through December 2004

- Tobacco products - 25.0 percent of the wholesale price
- Moist snuff - \$0.35 per ounce

##### Beginning January 2005

- Tobacco products - 50.0 percent of the wholesale price
- Moist snuff - \$0.85 per ounce

#### Distribution:

##### Through December 2004

- All proceeds, less distributions paid according to tribal agreements, are deposited into the general fund

##### Beginning January 2005

- 50% to a state special revenue fund to be used of health and Medicaid initiatives
- 50% to the general fund

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

Tax Rate (MCA) – 16-11-202(2)  
Tax Distribution (MCA) – 16-11-206  
Date Due – prior to the sale of tobacco products (16-11-203)

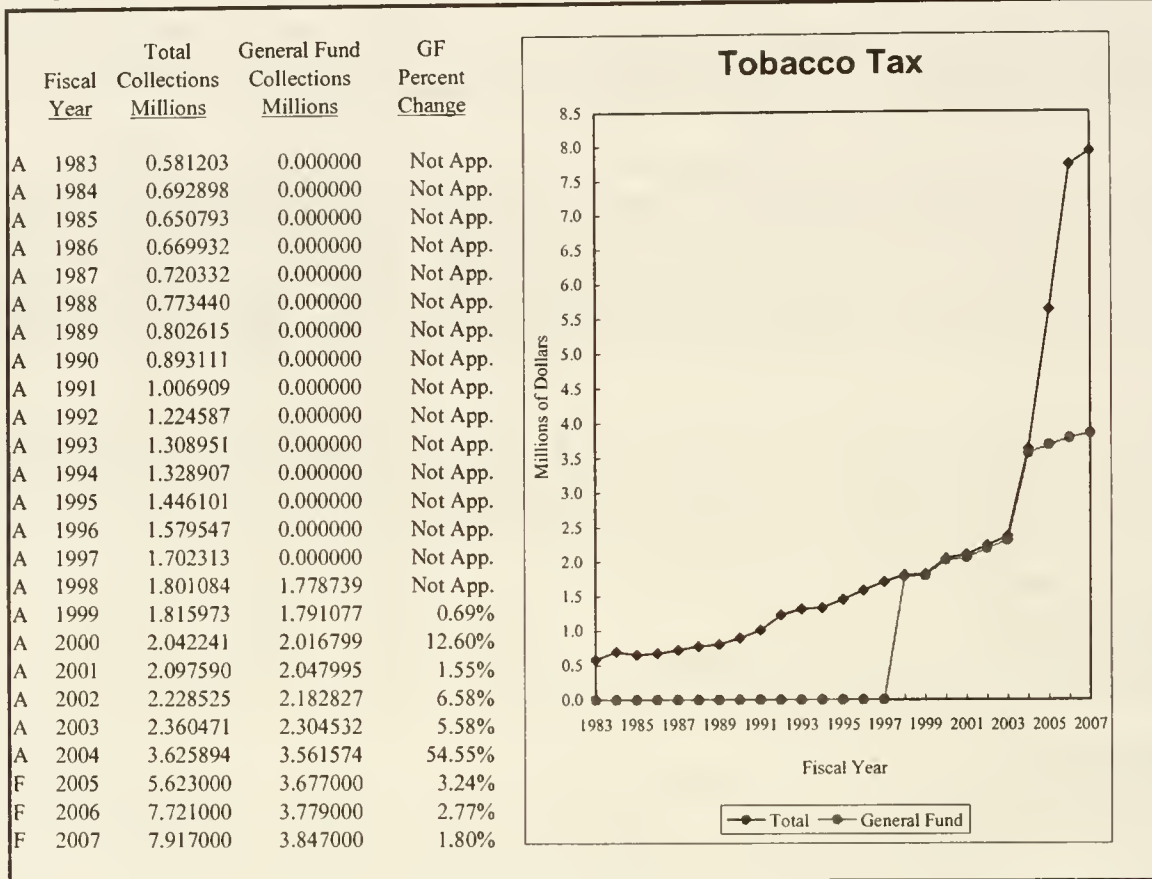
**% of Total FY 2004 General Fund Revenue:** 0.26%

# Legislative Fiscal Division

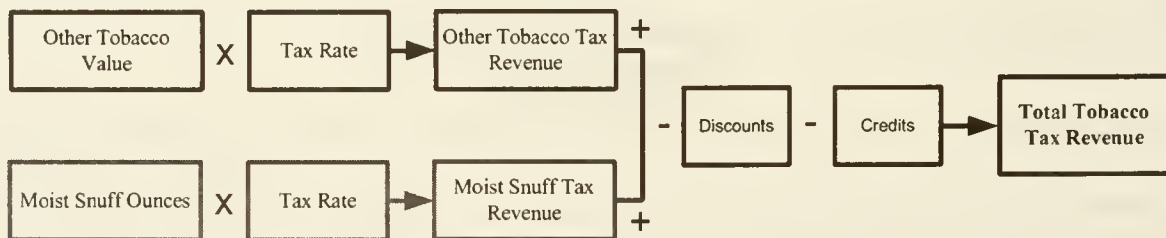
## Revenue Estimate Profile

### Tobacco Tax

#### Revenue Projection:



#### Forecast Methodology



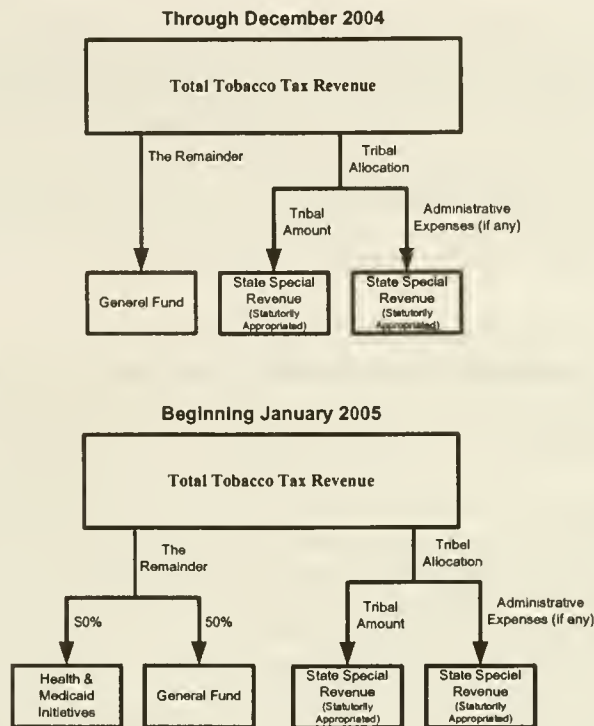


# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Tax

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Tribal</u> <u>Millions</u>	<u>Other Value</u> <u>Millions</u>	<u>Tax Rate</u> <u>Percent</u>	<u>Snuff Ounces</u> <u>Millions</u>	<u>Tax Rate</u> <u>Per Ounce</u>
Actual	2000	2.042241	2.016799	0.025442	16.337928	12.5000%		
Actual	2001	2.097590	2.047995	0.049595	16.780720	12.5000%		
Actual	2002	2.228525	2.182827	0.045698	17.828200	12.5000%		
Actual	2003	2.360471	2.304532	0.055939	18.883768	12.5000%		
Actual	2004	3.625894	3.561574	0.064320	4.160119	25.0000%	8.079726	0.350000
Forecast	2005	5.623000	3.677000	0.085000	3.829952	37.5000%	7.393124	0.600000
Forecast	2006	7.721000	3.779000	0.163000	3.735682	50.0000%	7.255390	0.850000
Forecast	2007	7.917000	3.847000	0.223000	3.830591	50.0000%	7.439721	0.850000

	<u>t</u> <u>Fiscal</u>	<u>Disc. Other</u> <u>Millions</u>	<u>Disc. Snuff</u> <u>Millions</u>	<u>Credits</u> <u>Millions</u>
Actual	2000			
Actual	2001			
Actual	2002			
Actual	2003			
Actual	2004	0.030860	0.065578	0.091947
Forecast	2005	0.026798	0.080825	0.141553
Forecast	2006	0.028017	0.092506	0.193690
Forecast	2007	0.028730	0.094856	0.198611

$$\text{GF Tax} = \text{Other Value} * \text{Tax Rate} + \text{Snuff Ounces} * \text{Tax Rate} - \text{Discounts} - \text{Credits} - \text{Tribal}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Video Gambling Tax

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**Revenue Description:** Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15.0 percent of the gross income (defined as net of payouts) from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes. All video gambling tax revenue is deposited into the general fund.

#### Applicable Tax Rate(s):

##### License Fees

- Video Gambling Machine Permit - \$220 annually (prorated basis), \$25 machine transfer processing fee
- Video Gambling Manufacturer License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.
- Video Gambling Machine Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Distributor License - \$1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- Route Operator License - \$1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application.
- Bingo/Keno Manufacture License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- Gambling Establishment Operator License – An amount equal to the actual DOJ costs of determining licensure qualifications
- Antique Slot Machine Seller Permit - \$50 annually
- Live Card Game Table - \$250 annually for the first table and \$500 for each additional table
- Card Game Dealer License - \$75 for the first year, \$25 for each subsequent year
- Pinochle Tournament Permit - \$25
- Card Room Contractor License - \$150 annually
- Bingo/Keno Permit - \$250 annually
- Bingo/Keno Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Sports Tab Game Seller License - \$100 annually. An additional application fee is charged to cover processing costs of the initial application.
- Casino Night Permit - \$25

##### Gambling Taxes

- Video - 15.0% of gross income (defined as net of payouts) per video gambling machine
- Bingo/Keno – 1.0% of gross proceeds
- Sport Tabs - \$1.00 for each 100 sport tabs sold

#### Distribution:

##### License Fees

1. \$100 of the live card game table fee and \$100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
2. All other license fee revenue is retained by DOJ to cover administrative costs.

##### Gambling Taxes

1. Video - All of video gambling tax receipts are deposited into the general fund.
2. Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.
3. Sport Tabs – All collections are retained by DOJ for administration purposes.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Video Gambling Tax

#### Summary of Legislative Action:

House Bill 802 – The legislation eliminates the \$10 annual permit surcharge for each video gambling machine on premises with fewer than 20 machines and the \$20 annual permit surcharge for each video gambling machine on premises with 20 machines for a general fund loss of \$273,275 each year. The legislation is effective on passage and approval and applies to permit fees charged on or after June 30, 2005.

Senate Bill 84 – The legislation provides procedures for the forfeiture of seized evidence in gambling cases, enables the Department of Justice to pursue a violation even if the gambling license or permit has lapsed, revises the bingo law, and allows for additional gambling games to be played on video machines. The department estimates that the legislation will result in the licensing of more video gambling machine test facilities for an increase in state special fee revenue of \$2,000 in FY 2006 and \$1,000 in FY 2007. The legislation is effective July 1, 2005.

#### Video Gambling Tax -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

Bill Number and Short Title	Fiscal 2005	Fiscal 2006	Fiscal 2007
HB0802 Eliminate annual permit surcharge fee for video gambling machines		(273,275)	(273,275)
SB0084 Generally revise gambling laws			
Total Estimated General Fund Impact	\$0	(\$273,275)	(\$273,275)

#### Statutory Reference:

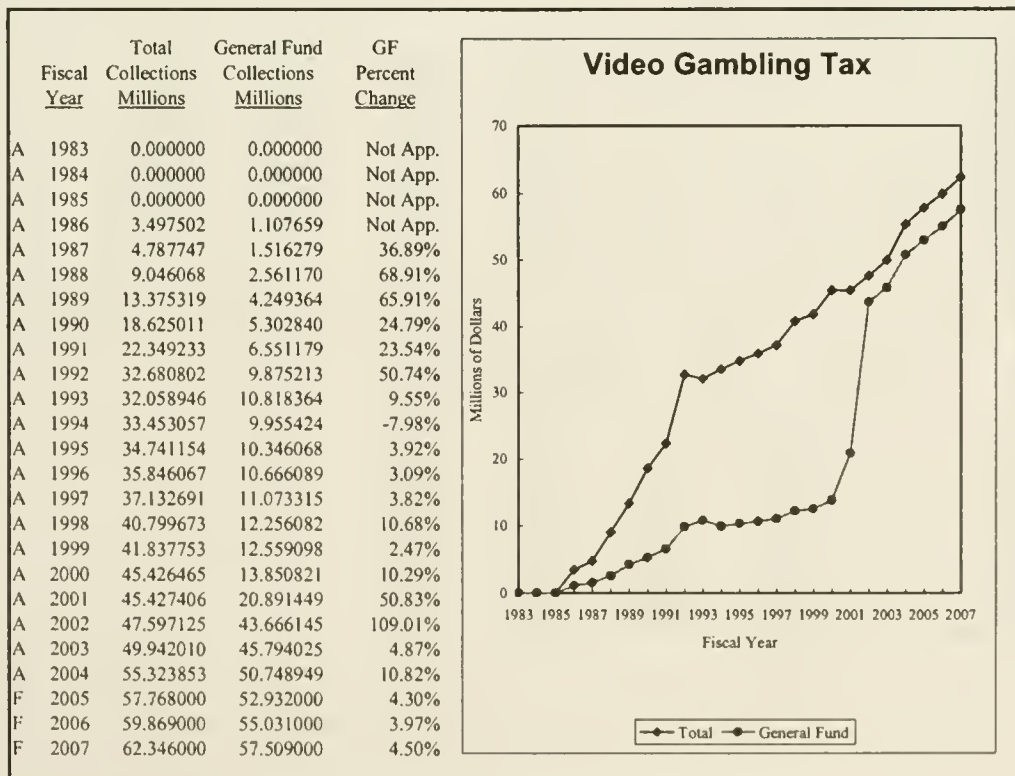
Tax Rate (MCA) – card table fee (23-5-306(2)), video tax (23-5-610(1)), machine permit fee (23-5-612(2))

Tax Distribution (MCA) - card table fee (23-5-306(3&4)), video (23-5-610(6)), machine permit fee (23-5-612(3))

Date Due – card table fees due annually and distributed quarterly to local governments (23-5-306(1&4)), video tax due 15 and 25 days after the end of the quarter (23-5-610(5)(a&b)), machine permit fees due annually prorated on a quarterly basis (23-5-612(2a))

**% of Total FY 2004 General Fund Revenue: 3.69%**

#### Revenue Projection:

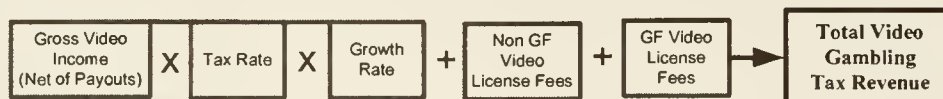


# Legislative Fiscal Division

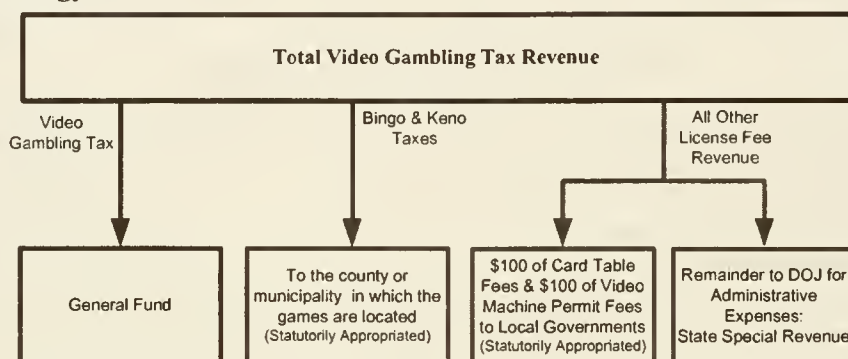
## Revenue Estimate Profile

### Video Gambling Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Net Income		Net Income	
	Fiscal	Millions	Millions	Millions	Tax Rate	Tax Millions	Non GF Fee Millions
Actual	2000	45.426465	13.850821	269.776957	0.150000	41.431382	3.995083
Actual	2001	45.427406	20.891449	275.867992	0.150000	41.502013	3.925393
Actual	2002	47.597125	43.666145	290.298949	0.150000	43.668454	3.928671
Actual	2003	49.942010	45.794025	307.161266	0.150000	45.816379	4.125631
Actual	2004	55.323853	50.748949	332.902749	0.150000	50.495647	4.828206
Forecast	2005	57.768000	52.932000	352.876914	0.150000	52.932000	4.836000
Forecast	2006	60.140000	55.304000	368.688270	0.150000	55.304000	4.836000
Forecast	2007	62.618000	57.782000	385.208085	0.150000	57.782000	4.836000

	t	Annual	Tax	Tax	GF Percent
	Fiscal	Growth Rate	Credits Millions	Efficiencies Millions	Allocation
Actual	2000	0.067667	0.000000	0.000000	0.334307
Actual	2001	0.022578	0.000000	0.000000	0.503384
Actual	2002	0.052311	0.000000	0.000000	0.999840
Actual	2003	0.058086	0.000000	0.000000	0.999512
Actual	2004	0.083804	0.000000	0.000000	0.999604
Forecast	2005	0.060000	0.000000	0.000000	1.000000
Forecast	2006	0.044807	0.000000	0.000000	1.000000
Forecast	2007	0.044807	0.000000	0.000000	1.000000

$$\text{GF Tax} = \text{Net Income} * \text{Tax Rate} + \text{GF Fee}$$



# Legislative Fiscal Division

## Revenue Estimate Profile

### Wine Tax

**Revenue Description:** A wine tax is levied on table wines imported into Montana by wine distributors or by the Department of Revenue (DOR), who is authorized to sell wines to retail liquor establishments throughout the state. A tax is also imposed on hard cider imported by a table wine distributor or DOR. A portion of wine tax revenue is returned to Indian tribes per an agreement between DOR and the tribes.

**Applicable Tax Rate(s):** A tax of \$0.27 is imposed per liter of wine and a tax of \$0.037 per liter is imposed on hard cider. An additional tax of \$0.01 per liter is imposed on table wine sold by a table wine distributor to an agent.

**Distribution:** The \$0.01 per liter tax is deposited into the general fund. Other wine tax revenue is distributed 69.0% to the general fund and 31.0% to the DPHHS alcohol account. The general fund distribution is reduced by the amount of the tribal agreements.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

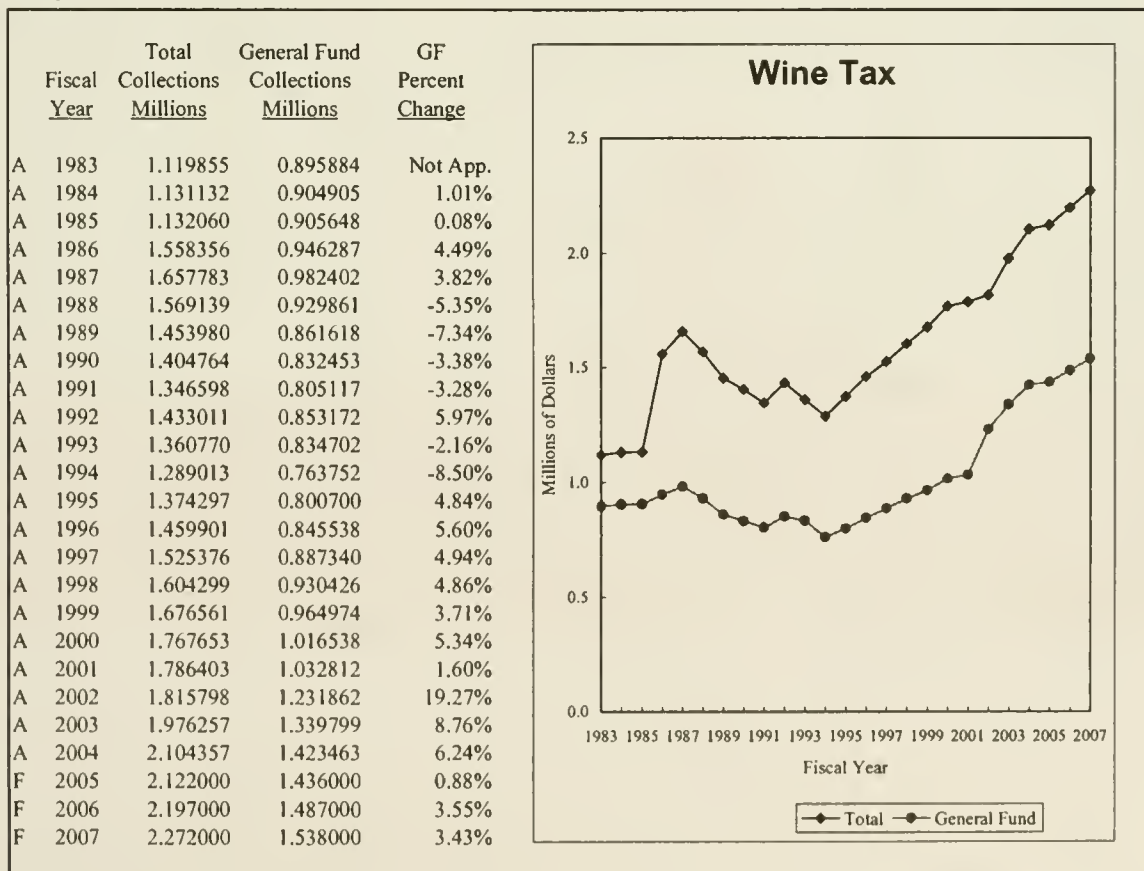
Tax Rate (MCA) – 16-1-411(1), 16-2-301(2)

Tax Distribution (MCA) – 16-1-411(3)

Date Due – 15<sup>th</sup> day of the month following the sale from the distributor's warehouse (16-1-411(2))

**% of Total FY 2004 General Fund Revenue:** 0.10%

#### Revenue Projection:

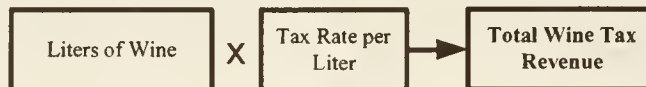


# Legislative Fiscal Division

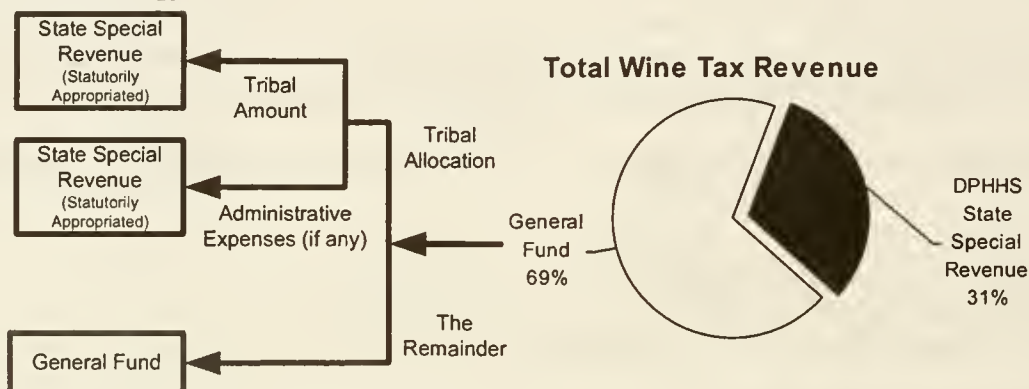
## Revenue Estimate Profile

### Wine Tax

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Liters</u> <u>Millions</u>	<u>Tax Rate</u> <u>Per Liter</u>	<u>GF Percent</u> <u>Allocation</u>	<u>Tribal</u> <u>Millions</u>
Actual	2000	1.767653	1.016538	6.546863	0.270000	0.590200	0.026730
Actual	2001	1.786403	1.032812	6.616307	0.270000	0.590257	0.021624
Actual	2002	1.815798	1.231862	6.725178	0.270000	0.690186	0.021376
Actual	2003	1.976257	1.339799	7.319470	0.270000	0.690196	0.024205
Actual	2004	2.104357	1.423463	7.793915	0.270000	0.690253	0.029075
Forecast	2005	2.122000	1.436000	7.857731	0.270000	0.690000	0.028000
Forecast	2006	2.197000	1.487000	8.136352	0.270000	0.690000	0.029000
Forecast	2007	2.272000	1.538000	8.414973	0.270000	0.690000	0.030000

$$\text{GF Tax} = \text{Liter} * \text{Tax Rate} - \text{Tribal}$$

# PROPERTY TAXES

Property Tax

Property Tax 55 Mill & Non-Levy

Property Tax 40 Mill

Property Tax 6 Mill

Property Tax 1.5 Mill







# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax

**Revenue Description:** Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, livestock, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. Beginning January 1, 2003, livestock is no longer taxed.

Beginning January 1, 2003, residential and commercial property as well as agricultural land and timberland reflect the impact of a new reappraisal on market values. The current reappraisal cycle is 6 years, during which increases in property values will be phased in by 1/6th per year. Property that declines in value will be assessed immediately at its new reappraised value. The impact of reappraisal on assessed values increased the market value of the average residence by 20.2 percent. The equivalent increases for commercial property were 18.5 percent and for agricultural land by 15.3 percent.

The 2003 legislature passed a reappraisal mitigation bill - SB 461. Beginning in tax year 2003, reappraisal values were phased in over the next six years. The new tax rates and the new homestead and comstead exemptions are shown in the accompanying table:

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

This source also includes the state's share of protested taxes paid by centrally assessed companies. Should the state fail in its defense of the taxation of these companies, the protested taxes must be returned to the taxpayer.

SB 461 Tax Rates and Exemption Percentages for Class 4 Residential and Commercial Property				
Fiscal Year	Tax Rate	Class 4	Class 3	Class 4
		Residential Exemption	Multi Family Housing Exemption	Commercial Exemption
2003 (prior law)	3.46%	31.0%	31.0%	13.0%
2004	3.40%	31.0%	31.0%	13.0%
2005	3.30%	31.4%	31.4%	13.3%
2006	3.22%	32.0%	32.0%	13.8%
2007	3.14%	32.6%	32.6%	14.2%
2008	3.07%	33.2%	33.2%	14.6%
2009	3.01%	34.0%	34.0%	15.0%

Homeowners whose homesteads have increased above certain thresholds and whose income falls below certain levels will face lower tax rates. This is the extended property tax assistance program and is detailed in MCA 15-6-193.

### Summary of Legislative Action:

**House Bill 83** – Under previous law, county superintendents paid K-12 tuition for a child who is placed in licensed foster care or group homes outside the student's district of residence by the state or a court. Tuition payments were deducted from countywide elementary or high school equalization accounts by the county before the money was remitted to the state. Under HB 83, the Office of Public Instruction (OPI) makes payments to the school district of attendance. Districts submit a claim (out-of-district attendance agreement) to OPI at the end of the year of attendance. OPI makes these tuition payments with a general fund appropriation in the year following attendance rather than from a deduction of 55 mill revenue. Thus, 55 mill general fund revenue increases by \$336,000 per year beginning in FY 2007. The legislation is effective July 1, 2005.

**Senate Bill 48** – Under previous law, if in any year inflation adjusted wage and salary growth were to exceed 2.85 percent, the tax rate on class 8 business equipment property would have been phased down to 0 percent over the following three years. The legislation eliminates this possibility by removing this "trigger" from law. SB 48 also increases the threshold amount of class 8 property that an entity may own and be exempt from property taxation - from \$5,000 of market value to \$20,000. The portion of the legislation that eliminates the "trigger" is effective on passage and approval. The increase in the class 8 exemption amount is effective beginning January 1, 2006. Total revenue impacts are shown in the table.

SB 48 Revenue Impacts		
Revenue Type	Fiscal 2006	Fiscal 2007
General Fund 40 Mills	(\$72,301)	(\$192,364)
General Fund 55 Mills	(99,415)	(264,500)
State Special 6 Mills	(11,610)	(30,889)

# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax

#### SB 74 Revenue Impacts

Revenue Type	Fiscal 2006	Fiscal 2007
General Fund 40 Mills	-	\$21,904
General Fund 55 Mills	-	30,118
State Special 6 Mills	-	3,286

The act is effective for tax years beginning January 1, 2006 and thus affects FY 2007 revenues. Total revenue impacts are shown in the table.

Senate Bill 87 – The legislation creates a new state special revenue account for centrally assessed protested tax payments. Under previous law, these payments were all deposited in the general fund. SB 87 directs the Department of Revenue to distribute protested taxes as follows:

1. 50 percent of the state 95 mill levy portion to the general fund;
2. 50 percent of the state 95 mill levy portion to the centrally assessed property tax state special revenue account;
3. 50 percent of the state 6-mill levy portion to the 6-mill university account; and
4. 50 percent of the state 6-mill levy portion to the centrally assessed property tax state special revenue account.

The legislation also requires that half the protested taxes already collected from tax disputes in fiscal 2003 and fiscal 2004 be transferred from the general fund and the 6 mill state special revenue account to the new state special account. SB 87 is effective on passage and approval. Thus, there will be a FY 2005 fiscal impact from protested taxes expected to be received May 2005. The table shows the total impacts on each state property tax account.

#### SB 87 Revenue Impacts

Revenue Type	One-Time Transfer	On-going Revenue		
	Fiscal 2005	Fiscal 2005	Fiscal 2006	Fiscal 2007
General Fund 40 Mills	(\$1,108,211)	(\$286,632)	(\$573,263)	(\$573,263)
General Fund 55 Mills	(1,523,789)	(394,118)	(788,237)	(788,237)
State Special 6 mills	(168,000)	(43,500)	(87,000)	(87,000)
Protested Taxes SSR	2,800,000	724,250	1,448,500	1,448,500

Senate Bill 115 – The legislation creates a new class of property, class 14, made exclusively of wind generation property. The tax rate for this new class is 3 percent of market value. Previously, this property was taxed at the class 13 rate of 6 percent. The new class is also eligible for new and expanding industry treatment and allows local tax abatement at the option of local taxing jurisdictions. Because of the tax reduction for this type of property, general fund 55 mill revenue is reduced \$365,942 in FY 2007. The legislation applies to tax years beginning January 1, 2005.

Senate Bill 167 – The legislation allows for the creation of technology districts that are funded in part through tax increment financing. The technology district would have to be recognized before January 1, 2006 in order to have a fiscal impact in the 2007 biennium. None is expected to be so. The legislation is effective on passage and approval.

#### Senate Bill 276

##### Bentonite Production Tax Schedule

Production Per Mine	Increment	Tax Per Ton
First 20,000 Wet Tons	20,000	\$0.00
20,001 to 100,000 Tons	80,000	\$1.56
100,001 to 250,000 Tons	150,000	\$1.50
250,001 to 500,000 Tons	250,000	\$1.40
500,001 to 1,000,000 Tons	500,000	\$1.25
Excess of 1,000,000 Tons	Unlimited	\$1.00

Senate Bill 276 – Under previous law, net proceeds of miscellaneous mines, including bentonite mines, were subject to property taxation. Net proceeds for a mine were calculated by subtracting statutorily defined production costs from the gross value of the product of the mine. The taxable value was defined as 100% of the net proceeds. The tax was calculated by multiplying the consolidated mill levy of all taxing jurisdictions in which the mine is located by the taxable value. The consolidated mill levy included all local mills and the statewide 101 education mills. The royalties that were paid to state and federal government entities and to Indian tribes were exempt from property taxation. All other royalties were taxed on the same basis as the net proceeds of the mines. The taxable value was defined as 100% of the taxable royalties.

The tax was calculated by multiplying the consolidated mill levy by the taxable value. This tax was assessed to the royalty owners.

SB 276 replaces the net proceeds tax on bentonite with a production tax. Bentonite production is taxed on the wet ton. A wet ton of bentonite is a ton of bentonite measured before crushing and drying. The new tax rates are described in the table.



# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax

1. For mines that first begin producing bentonite after December 31, 2004:
  - a. 1.3% is distributed to the state special revenue fund to replace the state university 6 mills;
  - b. 20.75% is distributed to the state general fund to replace the county equalization 95 mills; and
  - c. 77.95% is distributed to the producing county to be distributed in proportion to current fiscal year mill levies, excepting the 101 statewide education mills.
2. For mines that produced bentonite before January 1, 2005 and on production occurring in CY 2005:
3. 2.33% is distributed to the state special revenue fund to replace the state university 6 mills;
  - a. 18.14% is distributed to the state general fund to replace the county equalization 95 mills;
  - b. 3.35% is distributed to Carbon County to be distributed in proportion to mill levies in the taxing jurisdictions in which production occurs, excepting the 101 statewide education mills; and
  - c. 76.18% is distributed to Carter County to be distributed in proportion to current fiscal year mill levies in the taxing jurisdictions in which production occurs, excepting the 101 statewide education mills.
4. For mines that produced bentonite before January 1, 2005 and on production occurring in CY 2006:
  - a. 90% of the tax is distributed as described in 2 above; and
  - b. 10% of the tax is distributed as described in 1 above.
5. Beyond production in CY 2006, the distribution is a sliding scale mixture of that provided in sections 1 and 2 above.

**SB 276 Revenue Impacts**

Revenue Type	Fiscal 2006	Fiscal 2007
General Fund 40 Mills	(\$202,299)	(\$202,299)
General Fund 55 Mills	(278,162)	(278,162)
General Fund All Other	235,927	239,322
General Fund Total	(\$244,534)	(\$241,139)
State Special 6 Mills	(30,345)	(30,345)
SSR to 6 Mill Account	30,304	28,964
SSR to Counties	1,034,360	1,032,305
SSR Total	\$1,034,319	\$1,030,924

Under previous law, FY 2006 revenue would have been derived from taxes on CY 2004 production and FY 2007 revenue would have been derived from taxes on CY 2005 production. Under SB 276, FY 2006 revenue is derived from taxes on CY 2005 production and FY 2007 revenue is derived from taxes on CY 2006 production. Taxable royalties are taxed at a rate of 15%. The tax is distributed in the same manner as the tax on production. The impact of SB 276 on state revenues is shown in the table.

**SB 296 Revenue Impacts**

Revenue Type	Fiscal 2005	Fiscal 2006
General Fund 40 Mills	-	(\$21,970)
General Fund 55 Mills	-	(30,208)
State Special 6 Mills	-	(3,280)

Senate Bill 296 – Land that is under one ownership and is greater than 20 acres in size, but less than 160 acres in size, could become eligible for agricultural land classification contingent on meeting additional requirements provided in this legislation. Typically, these parcels of land are called “non-qualified agricultural land”. Under SB 296, the 20 to 160 acre parcels of land that do not meet the minimum \$1,500 in agricultural related income produced by the land, may qualify as agricultural land if the owner: 1) submits proof that 51% of the owner’s annual income is derived from agricultural production; or

2) the property taxes are paid by a family corporation, family partnership, sole proprietorship or family trust involved in Montana agricultural production and 51% of the entity’s Montana annual gross income is derived from agricultural production or the owner is a shareholder, partner, owner, or member of a family corporation, family partnership, sole proprietorship, or family trust that is involved in Montana agricultural production and 51% of the entity’s Montana annual gross income is derived from agricultural production. The legislation is effective July 1, 2005 and the new ownership criteria are effective in tax year 2006, thus impacting FY 2007 revenues. The revenue impacts are shown in the table.

Senate Bill 359 - Under the previous law, the state paid tuition for a student who was placed by a state agency or court in foster care or a group home in a school district other than the child’s district of residence. Once a state-placed student turned 18 years old, the student became a resident of the district where he lived and so the state no longer paid tuition. Under SB 359, the state continues to pay tuition for the remainder of the school year when a student turns 18 in the middle of a school year rather than stopping tuition when the student turns 18. Tuition is paid by allowing counties to subtract tuition payments from the 55 mill payment to the state. It is estimated that \$5,600 more in tuition will be paid each year than under the previous law, reducing general fund 55 mill revenues by the same amounts. The bill is effective July 1, 2005 and applies to school budgets for the school fiscal year beginning on or after July 1, 2006.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 55 Mill

**Applicable Tax Rate(s):** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 55 mills generates \$55 in state property taxes.

**Distribution:** All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

#### Summary of Legislative Action:

Property Tax: 55 Mill -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0083 Revise school district tuition payments			336,000
SB0048 Stop class 8 property tax reduction		(99,415)	(264,500)
SB0074 Clarify eligibility of land for valuation as nonqualified agricultural land			30,118
SB0087 Clarify appeal and payment of protested taxes for centrally assessed property	(394,118)	(788,237)	(788,237)
SB0115 Equitable taxation of wind energy facilities			(365,942)
SB0167 Technology districts -- tax increment financing			
SB0276 Revise taxes on bentonite		(278,162)	(278,162)
SB0296 Alternative method for assessing, taxing certain land parcels			(30,208)
SB0359 Revise statutes related to school district enrollment		(5,600)	(5,600)
Total Estimated General Fund Impact	<u>(\$394,118)</u>	<u>(\$1,171,414)</u>	<u>(\$1,366,531)</u>

\* for an explanation of these bills, see the main property tax section.

#### Statutory Reference:

Tax Rate (MCA) – 20-9-331(1), 20-9-333(1)

Tax Distribution (MCA) - 20-9-331(1), 20-9-333(1)

Date Due – one-half of taxes due November 30<sup>th</sup> and one-half due May 31<sup>st</sup> (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

**% of Total FY 2004 General Fund Revenue:** 7.54 %



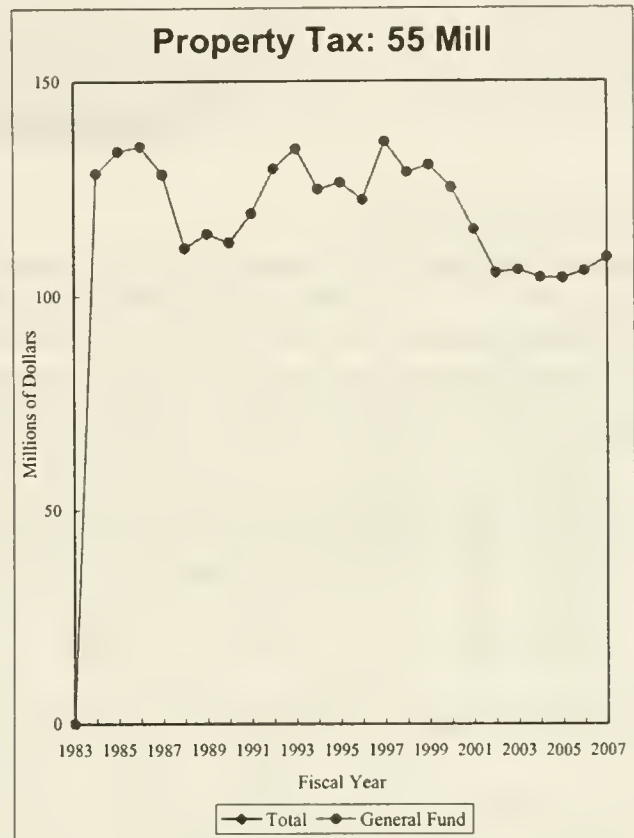
# Legislative Fiscal Division

## Revenue Estimate Profile

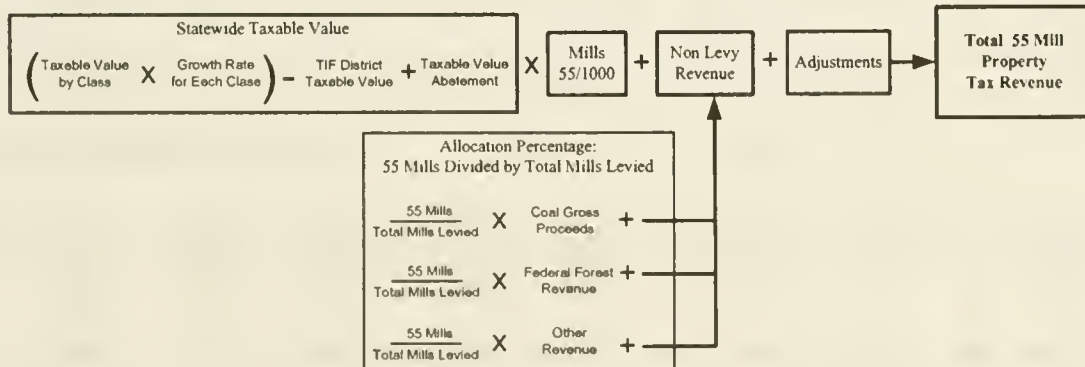
### Property Tax: 55 Mill

#### Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1983	0.000000	0.000000	Not App.
A	1984	128.445172	128.445172	Not App.
A	1985	133.608178	133.608178	4.02%
A	1986	134.707251	134.707251	0.82%
A	1987	128.225413	128.225413	-4.81%
A	1988	111.111138	111.111138	-13.35%
A	1989	114.444609	114.444609	3.00%
A	1990	112.374543	112.374543	-1.81%
A	1991	119.161125	119.161125	6.04%
A	1992	129.526346	129.526346	8.70%
A	1993	134.154928	134.154928	3.57%
A	1994	124.696589	124.696589	-7.05%
A	1995	126.265989	126.265989	1.26%
A	1996	122.329028	122.329028	-3.12%
A	1997	135.893657	135.893657	11.09%
A	1998	128.708743	128.708743	-5.29%
A	1999	130.388345	130.388345	1.30%
A	2000	125.145645	125.145645	-4.02%
A	2001	115.454627	115.454627	-7.74%
A	2002	105.375801	105.375801	-8.73%
A	2003	106.028709	106.028709	0.62%
A	2004	104.223809	104.223809	-1.70%
F	2005	104.145000	104.145000	-0.08%
F	2006	105.847000	105.847000	1.63%
F	2007	108.902000	108.902000	2.89%



#### Forecast Methodology

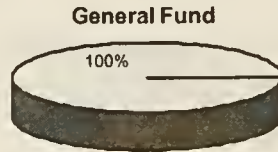


# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 55 Mill

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax. Value</u>	<u>Mills/1000</u>	<u>Non-Levy</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Applied</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	125.145645	125.145645	1863.986815	0.055000	23.445540	0.274000
Actual	2001	115.454627	115.454627	1656.909416	0.055000	16.482000	4.933824
Actual	2002	105.375801	105.375801	1671.589714	0.055000	13.809000	0.000000
Actual	2003	106.028709	106.028709	1691.720391	0.055000	11.424000	0.000000
Actual	2004	104.223809	104.223809	1703.300593	0.055000	13.316000	0.000000
Forecast	2005	104.539000	104.539000	1756.251400	0.055000	8.314933	-0.370000
Forecast	2006	107.018000	107.018000	1802.671553	0.055000	8.240996	-0.370000
Forecast	2007	110.268000	110.268000	1856.267989	0.055000	8.543058	-0.370000

	<u>t</u>	<u>Class 1</u>	<u>Class 2</u>	<u>Class 3</u>	<u>Class 4</u>	<u>Class 5</u>	<u>Class 6</u>	<u>Class 7</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Forecast	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Forecast	2006	9.080467	12.718855	139.901823	1118.986939	34.058299	0.000000	0.974316
Forecast	2007	9.080467	17.057981	139.901823	1162.627430	34.092357	0.000000	0.974316

	<u>t</u>	<u>Class 8</u>	<u>Class 9</u>	<u>Class 10</u>	<u>Class 12</u>	<u>Class 13</u>	<u>TIF's</u>	<u>Abatement</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Forecast	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Forecast	2006	121.344418	219.772831	6.675929	44.172580	118.557304	27.766903	4.194695
Forecast	2007	125.591473	219.553058	6.562438	43.289128	116.660387	23.430450	4.307581

# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 55 Mill

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**Non Levy Revenue** includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes, financial institution taxes, and reimbursements from the state were non levy revenue. Before January 1, 2003, oil and natural gas receipts were treated as non-levy revenue. The mills to which non levy revenue is distributed are unique for each county and each non levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax. For instance, statewide 40 mill revenue includes a property tax portion and a non levy portion.

A description for each individual source follows below.

#### **Federal Forest Receipts**

**Revenue Description:** The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal fiscal year 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25 percent of the federal forest receipts and sent the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

Beginning November 2000, HR 2389 (federal legislation) fixes the allocation to the state at the average of the highest three years of forest receipts in the state. Not more than 20 percent and not less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

**Applicable Tax Rate(s):** N/A

**Distribution:** The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the general fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year: county equalization accounts (55 mills), county transportation account, county retirement accounts

#### **Statutory References:**

Tax Rate – NA

Distribution (MCA) – 17-3-211, 17-3-212

Date Due - the state treasurer distributes the funds within 30 days after receiving full payment

**% of Total FY 2004 General Fund Revenue:** Included in total property tax contribution.

#### **COAL GROSS PROCEEDS TAX**

**Revenue Description:** The state imposes a gross proceeds tax of 5.0 percent on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. This is the same gross value as used in the calculation of the state coal severance tax.

The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

**Applicable Tax Rate(s):** The amount of tax due is 5.0 percent of the value of production as measured by the contract sales price for production in the preceding calendar year.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 55 Mill

**Distribution:** The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in tax year 1989. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the previous fiscal year.

#### Statutory References:

Tax Rate (MCA) – 15-23-703(1)

Tax Distribution (MCA) – 15-23-703(3)

**% of Total FY 2004 General Fund Revenue:** Included in total property tax contribution.

### OTHER REVENUE

#### Revenue Description:

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

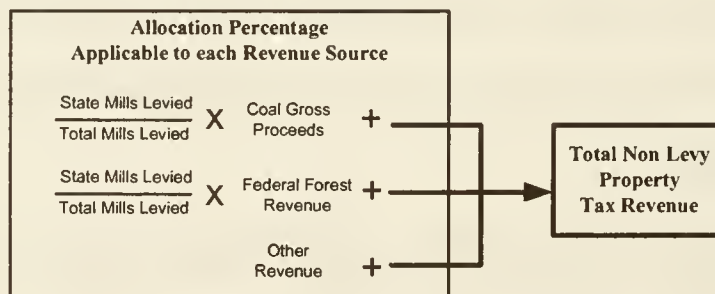
**Applicable Tax Rate(s):** N/A

**Distribution:** Varies

**Statutory References:** Various

**% of Total FY 2004 General Fund Revenue:** Included in total property tax contribution.

#### Forecast and Distribution Methodology





# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 40 Mill

**Applicable Tax Rate(s):** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 40 mills generates \$40 in state property taxes..

**Distribution:** All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

#### Summary of Legislative Action:

Property Tax: 40 Mill -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
SB0048 Stop class 8 property tax reduction		(72,301)	(192,364)
SB0074 Clarify eligibility of land for valuation as nonqualified agricultural land			21,904
SB0087 Clarify appeal and payment of protested taxes for centrally assessed property	(286,632)	(573,263)	(573,263)
SB0115 Equitable taxation of wind energy facilities			(266,140)
SB0167 Technology districts -- tax increment financing			
SB0276 Revise taxes on bentonite		(202,299)	(202,299)
SB0296 Alternative method for assessing, taxing certain land parcels			(21,970)
Total Estimated General Fund Impact	<u>(\$286,632)</u>	<u>(\$847,863)</u>	<u>(\$1,234,132)</u>

\* for an explanation of these bills, see the main property tax section.

#### Statutory Reference:

Tax Rate (MCA) – 20-9-360

Tax Distribution (MCA) – 20-9-360

Date Due – one-half of taxes due November 30<sup>th</sup> and one-half due May 31<sup>st</sup> (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

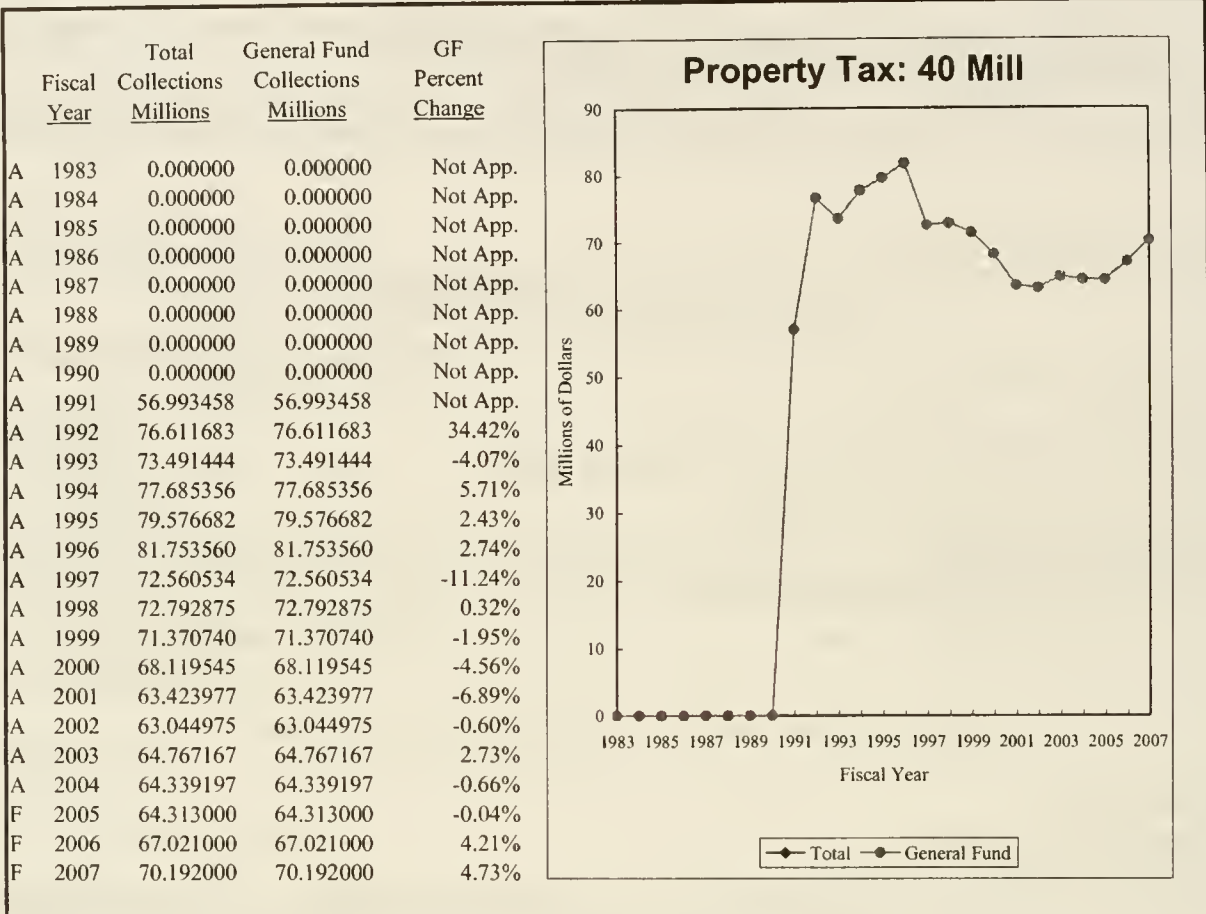
**% of Total FY 2004 General Fund Revenue:** 4.66 %

# Legislative Fiscal Division

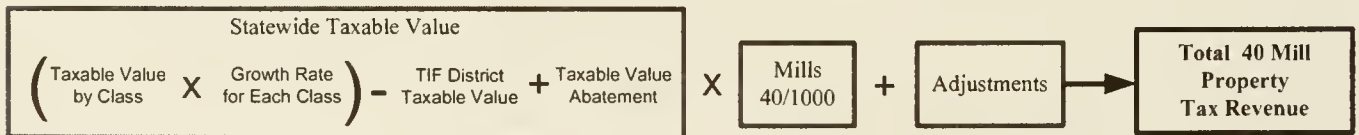
## Revenue Estimate Profile

### Property Tax: 40 Mill

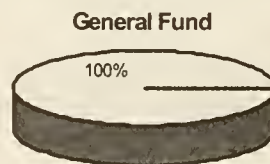
#### Revenue Projection:



#### Forecast Methodology



#### Distribution Methodology



# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 40 Mill

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Tax. Value</u> <u>Millions</u>	<u>Mills/1000</u> <u>Applied</u>	<u>Non-Levy</u> <u>Millions</u>	<u>Adjustments</u> <u>Millions</u>
Actual	2000	68.119545	68.119545	1863.986815	0.040000	10.810197	-12.712919
Actual	2001	63.423977	63.423977	1656.909416	0.040000	5.251000	-11.300000
Actual	2002	63.044975	63.044975	1671.589714	0.040000	4.705000	-9.888000
Actual	2003	64.767167	64.767167	1691.720391	0.040000	2.983000	-8.475000
Actual	2004	64.339197	64.339197	1703.300593	0.040000	4.315000	-7.063000
Forecast	2005	64.600000	64.600000	1756.251400	0.040000	0.000000	-5.650000
Forecast	2006	67.869000	67.869000	1802.671553	0.040000	0.000000	-4.238000
Forecast	2007	71.426000	71.426000	1856.267989	0.040000	0.000000	-2.825000

	<u>t</u> <u>Fiscal</u>	<u>Class 1</u> <u>Millions</u>	<u>Class 2</u> <u>Millions</u>	<u>Class 3</u> <u>Millions</u>	<u>Class 4</u> <u>Millions</u>	<u>Class 5</u> <u>Millions</u>	<u>Class 6</u> <u>Millions</u>	<u>Class 7</u> <u>Millions</u>
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Forecast	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Forecast	2006	9.080467	12.718855	139.901823	1118.986939	34.058299	0.000000	0.974316
Forecast	2007	9.080467	17.057981	139.901823	1162.627430	34.092357	0.000000	0.974316

	<u>t</u> <u>Fiscal</u>	<u>Class 8</u> <u>Millions</u>	<u>Class 9</u> <u>Millions</u>	<u>Class 10</u> <u>Millions</u>	<u>Class 12</u> <u>Millions</u>	<u>Class 13</u> <u>Millions</u>	<u>TIF's</u> <u>Millions</u>	<u>Abatement</u> <u>Millions</u>
Actual	2000	215.7480920	498.0302370	8.5200900	68.1925880	0.0000000	44.5355770	7.8747870
Actual	2001	112.7827340	230.8329780	8.7088490	49.6414440	147.1427500	28.4288400	7.8747870
Actual	2002	116.6052090	219.9557670	8.1987880	48.6583800	144.4880950	30.5295630	3.8798300
Actual	2003	118.3489260	206.3601230	7.1702390	46.6884790	137.1848470	30.8028320	3.8700000
Actual	2004	118.2969880	212.1109300	6.7892870	45.6302570	125.6225470	33.5621400	3.1883180
Forecast	2005	117.2409840	219.9928240	6.7913820	45.0740610	120.4850650	27.7669030	4.0883170
Forecast	2006	121.3444180	219.7728310	6.6759290	44.1725800	118.5573040	27.7669030	4.1946950
Forecast	2007	125.5914730	219.5530580	6.5624380	43.2891280	116.6603870	23.4304500	4.3075810

# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 6 Mill

**Applicable Tax Rate(s):** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 6 mills generate \$6 in state property taxes.

**Distribution:** All tax receipts are deposited into the university system 6 mill levy state special revenue account.

#### Summary of Legislative Action:

Property Tax: 6 Mill -- Legislation Passed by 59th Legislature Estimated State Special Revenue Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
SB0048 Stop class 8 property tax reduction		(11,610)	(30,889)
SB0074 Clarify eligibility of land for valuation as nonqualified agricultural land			3,286
SB0087 Clarify appeal and payment of protested taxes for centrally assessed property	(43,500)	(87,000)	(87,000)
SB0115 Equitable taxation of wind energy facilities			(39,921)
SB0276 Revise taxes on bentonite		(30,345)	(30,345)
SB0296 Alternative method for assessing, taxing certain land parcels			(3,279)
Total Estimated General Fund Impact	<u>(\$43,500)</u>	<u>(\$128,955)</u>	<u>(\$188,148)</u>

\* for an explanation of these bills, see the main property tax section.

#### Statutory Reference:

Tax Rate (MCA) – 15-10-107

Tax Distribution (MCA) – 15-10-107

Date Due – one-half of taxes due November 30<sup>th</sup> and one-half due May 31<sup>st</sup> (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

**% of Total FY 2004 General Fund Revenue:** NA

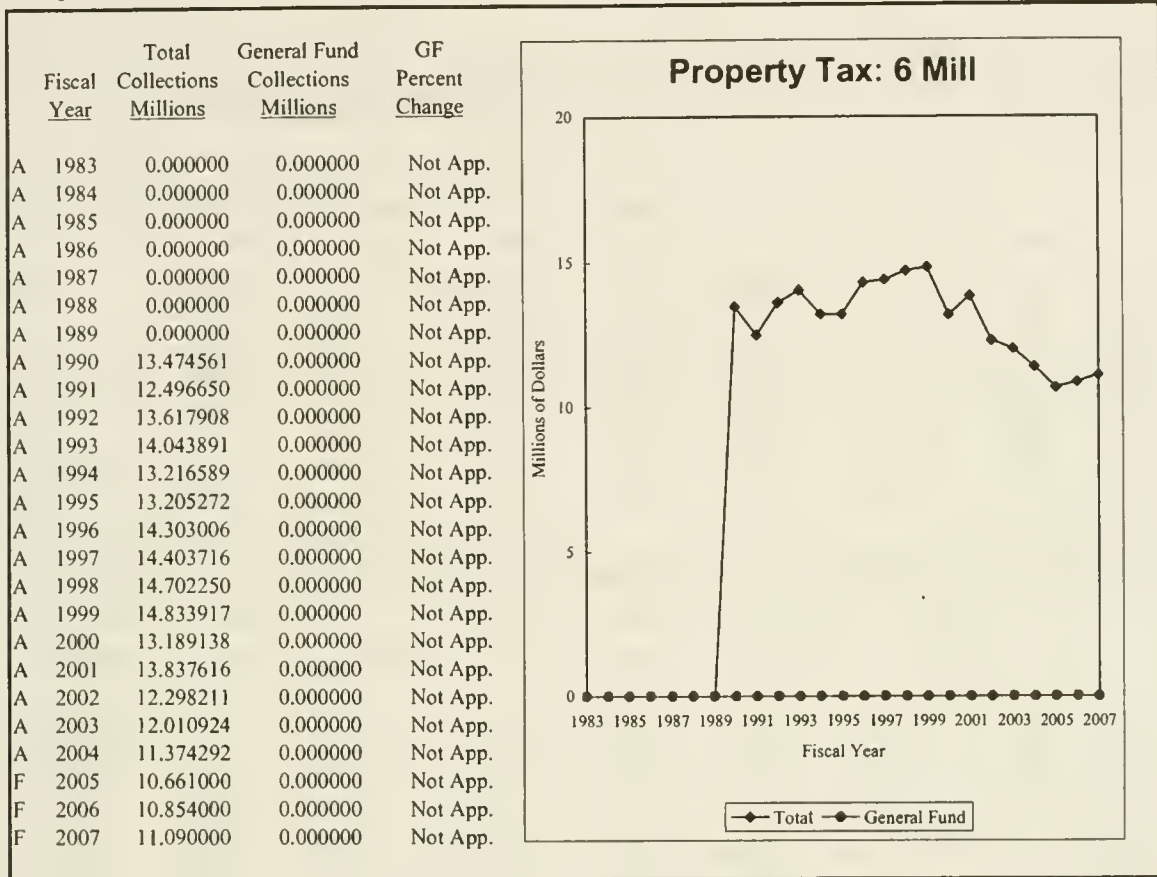


# Legislative Fiscal Division

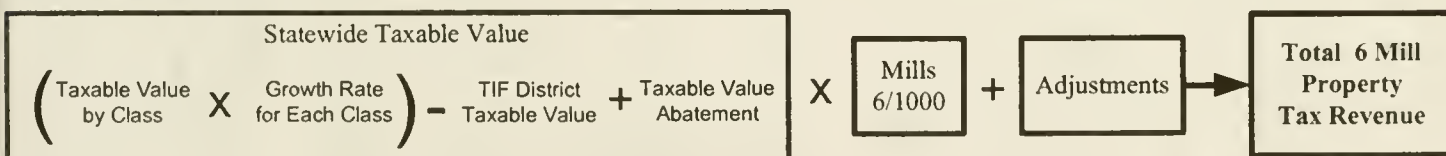
## Revenue Estimate Profile

### Property Tax: 6 Mill

#### Revenue Projection:

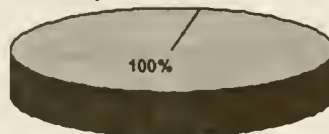


#### Forecast Methodology



#### Distribution Methodology

##### State Special Revenue Fund



# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 6 Mill

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax. Value</u>	<u>Mills/1000</u>	<u>Non-Levy</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Applied</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	13.189138	0.000000	1900.647605	0.006000	2.584415	0.000000
Actual	2001	13.837616	0.000000	1677.463469	0.006000	1.758000	0.657843
Actual	2002	12.298211	0.000000	1698.239447	0.006000	1.588000	0.000000
Actual	2003	12.010924	0.000000	1722.523223	0.006000	1.082000	0.000000
Actual	2004	11.374292	0.000000	1736.862733	0.006000	0.000000	0.000000
Forecast	2005	10.704000	0.000000	1784.018303	0.006000	0.000000	0.000000
Forecast	2006	10.983000	0.000000	1830.438456	0.006000	0.000000	0.000000
Forecast	2007	11.278000	0.000000	1879.698439	0.006000	0.000000	0.000000

	<u>t</u>	<u>Class 1</u>	<u>Class 2</u>	<u>Class 3</u>	<u>Class 4</u>	<u>Class 5</u>	<u>Class 6</u>	<u>Class 7</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Forecast	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Forecast	2006	9.080467	12.718855	139.901823	1118.986939	34.058299	0.000000	0.974316
Forecast	2007	9.080467	17.057981	139.901823	1162.627430	34.092357	0.000000	0.974316

	<u>t</u>	<u>Class 8</u>	<u>Class 9</u>	<u>Class 10</u>	<u>Class 12</u>	<u>Class 13</u>	<u>TIF's</u>	<u>Abatement</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Forecast	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Forecast	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Forecast	2006	121.344418	219.772831	6.675929	44.172580	118.557304	27.766903	4.194695
Forecast	2007	125.591473	219.553058	6.562438	43.289128	116.660387	23.430450	4.307581

# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 1.5 Mill

**Revenue Description:** Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. This revenue component used to include collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. HB 124, passed during the 2001 legislative session, eliminated distribution of non-levy sources to the 1.5 mill levy.

**Applicable Tax Rate(s):** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 1.5 mills generates \$1.50 in state property taxes.

**Distribution:** All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

**Summary of Legislative Action:** The 59th Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

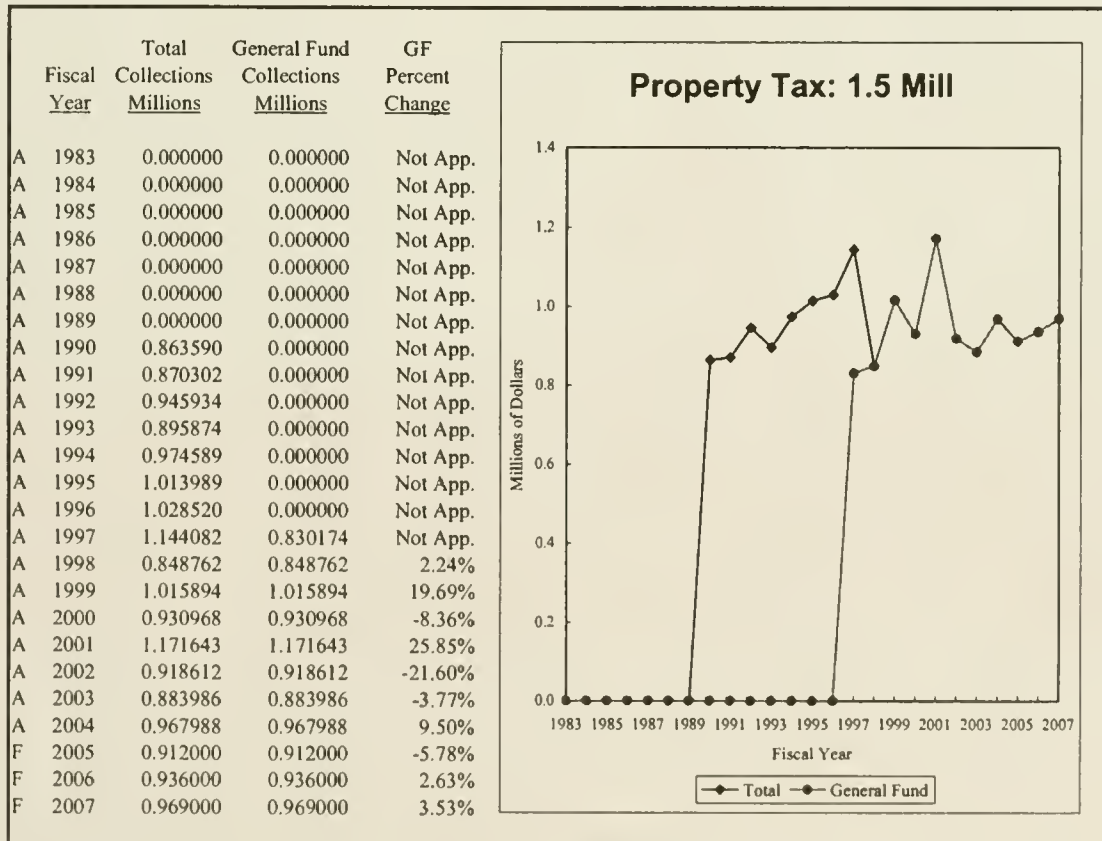
Tax Rate (MCA) – 20-25-439(1)

Tax Distribution (MCA) – 20-25-439(2)

Date Due – one-half of taxes due November 30<sup>th</sup> and one-half due May 31<sup>st</sup> (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

**% of Total FY 2004 General Fund Revenue:** 0.07 %

#### Revenue Projection:

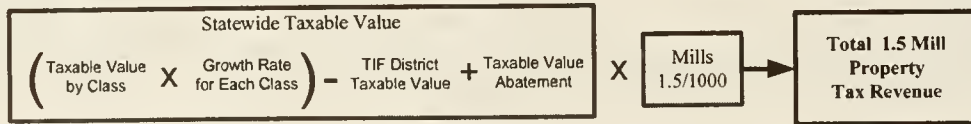


# Legislative Fiscal Division

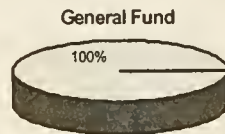
## Revenue Estimate Profile

### Property Tax: 1.5 Mill

#### Forecast Methodology



#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Tax. Value</u> <u>Millions</u>	<u>Mills/1000</u> <u>Applied</u>	<u>Non-Levy</u> <u>Millions</u>	<u>Adjustments</u> <u>Millions</u>
Actual	2000	0.930968	0.930968	618.047161	0.001500	0.121110	0.000000
Actual	2001	1.171643	1.171643	552.853841	0.001500	0.126000	0.038500
Actual	2002	0.918612	0.918612	563.452494	0.001500	0.020000	0.033688
Actual	2003	0.883986	0.883986	586.588275	0.001500	0.000000	0.000000
Actual	2004	0.967988	0.967988	596.512999	0.001500	0.000000	0.000000
Forecast	2005	0.912000	0.912000	608.056452	0.001500	0.000000	0.000000
Forecast	2006	0.936000	0.936000	624.315431	0.001500	0.000000	0.000000
Forecast	2007	0.969000	0.969000	646.070061	0.001500	0.000000	0.000000

	<u>t</u> <u>Fiscal</u>	<u>Class 1</u> <u>Millions</u>	<u>Class 2</u> <u>Millions</u>	<u>Class 3</u> <u>Millions</u>	<u>Class 4</u> <u>Millions</u>	<u>Class 5</u> <u>Millions</u>	<u>Class 6</u> <u>Millions</u>	<u>Class 7</u> <u>Millions</u>
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Forecast	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Forecast	2006	9.080467	12.718855	139.901823	1118.986939	34.058299	0.000000	0.974316
Forecast	2007	9.080467	17.057981	139.901823	1162.627430	34.092357	0.000000	0.974316

	<u>t</u> <u>Fiscal</u>	<u>Class 8</u> <u>Millions</u>	<u>Class 9</u> <u>Millions</u>	<u>Class 10</u> <u>Millions</u>	<u>Class 12</u> <u>Millions</u>	<u>Class 13</u> <u>Millions</u>	<u>TIF's</u> <u>Millions</u>	<u>Abatement</u> <u>Millions</u>
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Forecast	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Forecast	2006	121.344418	219.772831	6.675929	44.172580	118.557304	27.766903	4.194695
Forecast	2007	125.591473	219.553058	6.562438	43.289128	116.660387	23.430450	4.307581



# OTHER GENERAL FUND REVENUE

All Other Revenue

Highway Patrol Fines

Nursing Facilities Fee

Public Institution Reimbursements

Tobacco Settlement





# Legislative Fiscal Division

## Revenue Estimate Profile

### All Other Revenue

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**Revenue Description:** There are a number of other taxes, fees, and fines that historically have generated less than \$2.5 million each in annual general fund revenue. In addition, the statutes governing these miscellaneous taxes, fees, and fines are frequently changed, making meaningful comparison between tax years impractical and accurate estimation of the revenue difficult.

“All Other Revenue” sources are estimated in aggregate except for the following: reimbursements for tax credit (enacted by the 2005 legislature in House Bill 667), court automation surcharge (enacted by the 2005 legislature in House Bill 536), investment license transfers, liquor license fee transfers, civil fines, single state registration system fees, lodging facility use tax, Montana University System debt service deposits, transfer of excess cigarette tax revenue in the veterans account administered by DPHHS, deposits by state agencies for SWCAP/ SFCAP, district court fees, BOI reimbursement of State Street Banking fees, transfers of excess coal tax revenue in the shared account, and transfers excess over \$2.0 million from the veterans’ cigarette tax account. In the past, wildfire cost reimbursements had been included in the revenue source, but beginning in fiscal 2003 they are now deposited to the federal special revenue fund.

One-time revenue adjustments were added in fiscal 2005 for: Transfer of money from DOJ motor vehicle information technology system account as authorized in SB 493 - \$3,300,000, and cost reimbursements from the NorthWestern Energy bankruptcy settlement - \$1,106,070.

**Applicable Tax Rate(s):** Various

**Distribution:** “All Other Revenue” is deposited in the general fund.

#### Summary of Legislative Action:

House Bill 2 – The amount of money appropriated from certain accounts inversely impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature, such as those in HB 2, may differ and, thus, may affect revenue. Revenue changes due to differences in appropriations occur in the following funds: 1) shared coal tax account (DNRC, Agriculture, and State Library); 2) liquor enterprise fund (the Department of Justice portion); and 3) cigarette tax revenue account (DPHHS). These changes decrease general fund revenue \$623,065 in FY 2006 and \$611,577 in FY 2007. In addition, approving a 1.00 FTE forensic pathologist in the Department of Justice is expected to increase general fund revenue \$158,000 each fiscal year from charging counties for autopsy services.

House Bill 5 - The amount of money appropriated from certain accounts inversely impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature may differ. The legislature appropriated \$940,000 for the biennium from the cigarette tax revenue account (DPHHS), thus reducing the amount of the estimated fund balance over \$2.0 million that is transferred to the general fund at the end of each fiscal year by \$470,000. The legislation is effective on passage and approval.

House Bill 60 – Fees set to cover the costs training, testing and certification in relation to cleaning up methamphetamine labs are expected to increase general fund revenue \$7,500 each year. The legislation is effective October 1, 2005.

House Bill 102 – The legislation directs that the fund balance in the Highway Patrol Clearing account be transferred to the general fund on July 1, 2005. Money in the account that, under prior law, had been used to transfer to the Highway Patrol Retirement trust fund is estimated to be \$600,000. Beginning FY 2006, the legislation provides a general fund statutory appropriation for the same purpose. The legislation is effective July 1, 2005.

House Bill 223 – The legislation eliminates the authority for and provisions governing the foreign capital depository. HB 83 enacted by the 1997 legislature chartered foreign capital depositories in Montana. A fee of 1.5 percent of the total value of assets on deposit in a foreign capital depository was due twice a year on June 15 and December 15 with the revenue deposited in the general fund. No revenue from this fee had ever been received. HB 223 has no revenue impact because no revenue was estimated to be received in the 2007 biennium. HB 223 is effective October 1, 2005.



# Legislative Fiscal Division

## Revenue Estimate Profile

### All Other Revenue

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House Bill 316 – Application and permit fees for regulated transportation carriers that had been deposited to the general fund are de-earmarked to the Public Service Commission’s state special revenue fund, resulting in a general fund loss of \$6,728 each year. The legislation is effective July 1, 2005.

House Bill 348 – The legislation requires a person who sells kegs of beer to a consumer to be licensed and to attach identifying information about the buyer to the keg. It also provides a maximum penalty of \$500 for failing to attach the information or for removing or defacing it. After the 50/50 split of fine revenue with the county, the general fund is expected to receive \$12,500 each year in additional fines. The legislation is effective October 1, 2005.

House Bill 370 – Prior to enactment of the legislation, filing fees were required for various permit applications under the Montana Strip and Underground Mine Reclamation Act and the revenue was deposited to the general fund. The legislation removes the fee requirements for a general fund revenue loss of \$200 in FY 2006 and \$300 in FY 2007. The legislation is effective on passage and approval.

House Bill 447 – Money to pay for salary and benefit increases for state employees is appropriated in the legislation. The amount of money appropriated from certain accounts inversely impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature, such as those in HB 447, may differ and, thus, may affect revenue. Revenue changes due to differences in appropriations occur in the following funds: 1) shared coal tax account (DNRC, Agriculture, and State Library); 2) liquor enterprise fund (the Department of Justice portion); and 3) cigarette tax revenue account (DPHHS). These changes decrease general fund revenue \$84,158 in FY 2006 and \$232,015 in FY 2007.

House Bill 453 – The legislation provides for administrative enforcement of certain laws pertaining to solid waste, underground storage tanks, junk vehicles, and subdivisions. Administrative penalties are expected to increase general fund revenues by \$600 in FY 2006 and \$1,200 in FY 2007 and increase state special revenue by \$1,000 in FY 2006 and \$2,000 in FY 2007. The legislation is effective on passage and approval.

House Bill 514 – The restitution for illegally taking a grizzly bear was increased from \$2,000 to \$8,000. Restitution payments up to a total of \$60,000 are expected to be deposited to the Department of Fish, Wildlife and Parks’ state special revenue fund. Any amounts over \$60,000 are deposited to the general fund. Additional restitution payments are expected to increase general fund revenue an average of \$4,278 each year. The legislation is effective on passage and approval.

House Bill 528 – The legislation requires the Yellowstone Airport to pay the annual \$400 liquor license fee. This fee will be deposited to the liquor enterprise fund and, at the end of the fiscal year, transferred to the general fund. The legislation is effective on passage and approval.

House Bill 536 – Under previous law, the \$10 user surcharge for court automation, which had been deposited in the state special revenue fund, was to terminate June 30, 2005. The legislation extends the termination date to June 30, 2009 and provides for deposit of the revenue to the general fund for an increase of \$1,605,336 each year. The legislation is effective June 28, 2005.

House Bill 643 - In addition to changes in “all other” revenue, the legislation also impacts cigarette revenue. The revenue effects and details of the latter are shown in the cigarette tax source section. It is expected that the legislation will cause a reduction in smoking and, thus, a reduction in cigarette tax revenue. Since a portion of the revenue is deposited to the veterans’ cigarette account administered by DPHHS, the account will receive less revenue. Because any amount over \$2.0 million in the account at fiscal year end is transferred to the general fund, less revenue in the account reduces the transfer amount. It is expected that general fund revenue will be reduced \$22,908 in FY 2006 and \$44,198 in FY 2007. The legislation is effective October 1, 2005.

House Bill 667 – Among other provisions, individual income tax credits are provided for businesses and taxpayers that pay a portion of employee’s health insurance premiums. The revenue effects and details of the tax credit are shown in the individual income tax source section. The amounts of the tax credits are reimbursed to the general fund through appropriations to the State Auditor’s Office from the Medicaid initiative state special revenue account. The amount of the appropriations and, thus, the amounts of the revenue reimbursed to the general fund are \$1,200,000 in FY 2006 and \$3,976,330 in FY 2007. The legislation is effective July 1, 2005 and applies to tax years beginning after December 31, 2005.



# Legislative Fiscal Division

## Revenue Estimate Profile

### All Other Revenue

**House Bill 761** – An account is established from which reimbursements of life insurance premiums are paid to members of the Montana National Guard. HB 761 transfers \$660,000 of general fund to the account from FY 2005-2007. Any unexpended or unencumbered balance remaining in the account at the end of a fiscal year reverts to the general fund. No reversions are anticipated. The legislation is effective on passage and approval and applies to premiums paid after the legislation is effective.

**Senate Bill 67** – The legislation increases the fees for a marriage license and filing a declaration of marriage without solemnization from \$30 to \$40 with revenue from the increase deposited in the county district court fund or to the county general fund. In addition, the legislation eliminates the \$0.25 fee for recording a marriage license, the revenue from which had been deposited in the state general fund, for a loss of \$1,798 each year. The legislation is effective July 1, 2005.

**Senate Bill 84** – The expiration of a gambling license or permit no longer prevents the Department of Justice from pursuing a violation. It is expected that additional penalties of \$5,000 each year will be deposited to the general fund. The legislation is effective July 1, 2005.

**Senate Bill 208** – The charge imposed by courts of original jurisdictions on certain convictions for a misdemeanor or felony increases from \$25 to \$50. Revenue from the charge is used at the local level to pay expenses of a victim and witness advocate program. If the county, city, or town does not have a victim and witness advocate program, \$49 from the charge is deposited in the state general fund for an increase of \$34,178 each year. The legislation is effective October 1, 2005.

**Senate Bill 276** – Under previous law, net proceeds of miscellaneous mines, including bentonite mines, were subject to property taxation. Net proceeds for a mine were calculated by subtracting statutorily defined production costs from the gross value of the product of the mine. The taxable value was defined as 100% of the net proceeds. The tax was calculated by multiplying the consolidated mill

levy of all taxing jurisdictions in which the mine is located by the taxable value. The consolidated mill levy included all local mills and the statewide 101 education mills.

The royalties that were paid to state and federal government entities and to Indian tribes were exempt from property taxation. All other royalties were taxed on the same basis as the net proceeds of the mines. The taxable value was defined as 100% of the taxable royalties. The tax was calculated by multiplying the consolidated mill levy by the taxable value. This tax was assessed to the royalty owners. SB 276 replaces the net proceeds tax on bentonite with a production tax. Bentonite production is taxed on the wet ton. A wet ton of bentonite is a ton of bentonite measured before crushing and drying. The new tax rates are described in the chart below.

#### Senate Bill 276

##### Bentonite Production Tax Schedule

Production Per Mine	Increment	Tax Per Ton
First 20,000 Wet Tons	20,000	\$0.00
20,001 to 100,000 Tons	80,000	\$1.56
100,001 to 250,000 Tons	150,000	\$1.50
250,001 to 500,000 Tons	250,000	\$1.40
500,001 to 1,000,000 Tons	500,000	\$1.25
Excess of 1,000,000 Tons	Unlimited	\$1.00

- For mines that first begin producing bentonite after December 31, 2004:
  - 1.3% is distributed to the state special revenue fund to replace the state university 6 mills;
  - 20.75% is distributed to the state general fund to replace the county equalization 95 mills; and
  - 77.95% is distributed to the producing county to be distributed in proportion to current fiscal year mill levies, excepting the 101 statewide education mills.
- For mines that produced bentonite before January 1, 2005 and on production occurring in CY 2005:
  - 2.33% is distributed to the state special revenue fund to replace the state university 6 mills;
  - 18.14% is distributed to the state general fund to replace the county equalization 95 mills;
  - 3.35% is distributed to Carbon County to be distributed in proportion to mill levies in the taxing jurisdictions in which production occurs, excepting the 101 statewide education mills; and
  - 76.18% is distributed to Carter County to be distributed in proportion to current fiscal year mill levies in the taxing jurisdictions in which production occurs, excepting the 101 statewide education mills.
- For mines that produced bentonite before January 1, 2005 and on production occurring in CY 2006:
  - 90% of the tax is distributed as described in 2 above; and
  - 10% of the tax is distributed as described in 1 above.
- Beyond production in CY 2006, the distribution is a sliding scale mixture of that provided in sections 1 and 2 above.

#### SB 276 Revenue Impacts

Revenue Type	Fiscal 2006	Fiscal 2007
General Fund 40 Mills	(\$202,299)	(\$202,299)
General Fund 55 Mills	(278,162)	(278,162)
General Fund All Other	<u>235,927</u>	<u>239,322</u>
General Fund Total	(\$244,534)	(\$241,139)
State Special 6 Mills	(30,345)	(30,345)
SSR to 6 Mill Account	30,304	28,964
SSR to Counties	<u>1,034,360</u>	<u>1,032,305</u>
SSR Total	\$1,034,319	\$1,030,924

# Legislative Fiscal Division

## Revenue Estimate Profile

### All Other Revenue

Under previous law, FY 2006 revenue would have been derived from taxes on CY 2004 production and FY 2007 revenue would have been derived from taxes on CY 2005 production. Under SB 276, FY 2006 revenue is derived from taxes on CY 2005 production and FY 2007 revenue is derived from taxes on CY 2006 production. Taxable royalties are taxed at a rate of 15%. The tax is distributed in the same manner as the tax on production. The impact of SB 276 on state revenues is shown in the table below.

All Other Revenue -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
Bill Number and Short Title	Fiscal 2005	Fiscal 2006	Fiscal 2007
HB0002 General appropriations act		(464,565)	(453,077)
HB0005 Long-range building appropriations		(470,000)	(470,000)
HB0060 Indoor cleanup standards for methamphetamine labs		7,500	7,500
HB0102 Statutory appropriation for highway patrol officers' retirement		600,000	
HB0223 Repeal capital foreign depository act			
HB0316 Revise fees charged by public service commission		(6,728)	(6,728)
HB0348 Revise youth access to alcohol and provide for keg registration		12,500	12,500
HB0370 Revise strip and underground mine reclamation act		(200)	(300)
HB0447 Increase state employee pay		(84,158)	(232,015)
HB0453 Administrative penalties for certain environmental law violations		600	1,200
HB0514 Increase restitution for illegal taking of grizzly bear		4,278	4,278
HB0528 Year round beer and wine license for west Yellowstone airport		400	400
HB0536 Generally revise court automation surcharge		1,605,336	1,605,336
HB0643 Eliminate smoking in enclosed public places		(22,908)	(44,198)
HB0667 Purchasing pools, tax credit for health insurance		1,200,000	3,976,330
HB0761 Life insurance premium reimbursement for members of national guard/reserve			
SB0067 Increase fees for marriage license and declaration of marriage w/o solemnizati		(1,798)	(1,798)
SB0084 Generally revise gambling laws		5,000	5,000
SB0208 Increase conviction charge to fund victim services		34,178	34,178
SB0276 Revise taxes on bentonite		235,927	239,322
Total Estimated General Fund Impact	\$0	\$2,655,362	\$4,677,928

**Statutory Reference:** Various

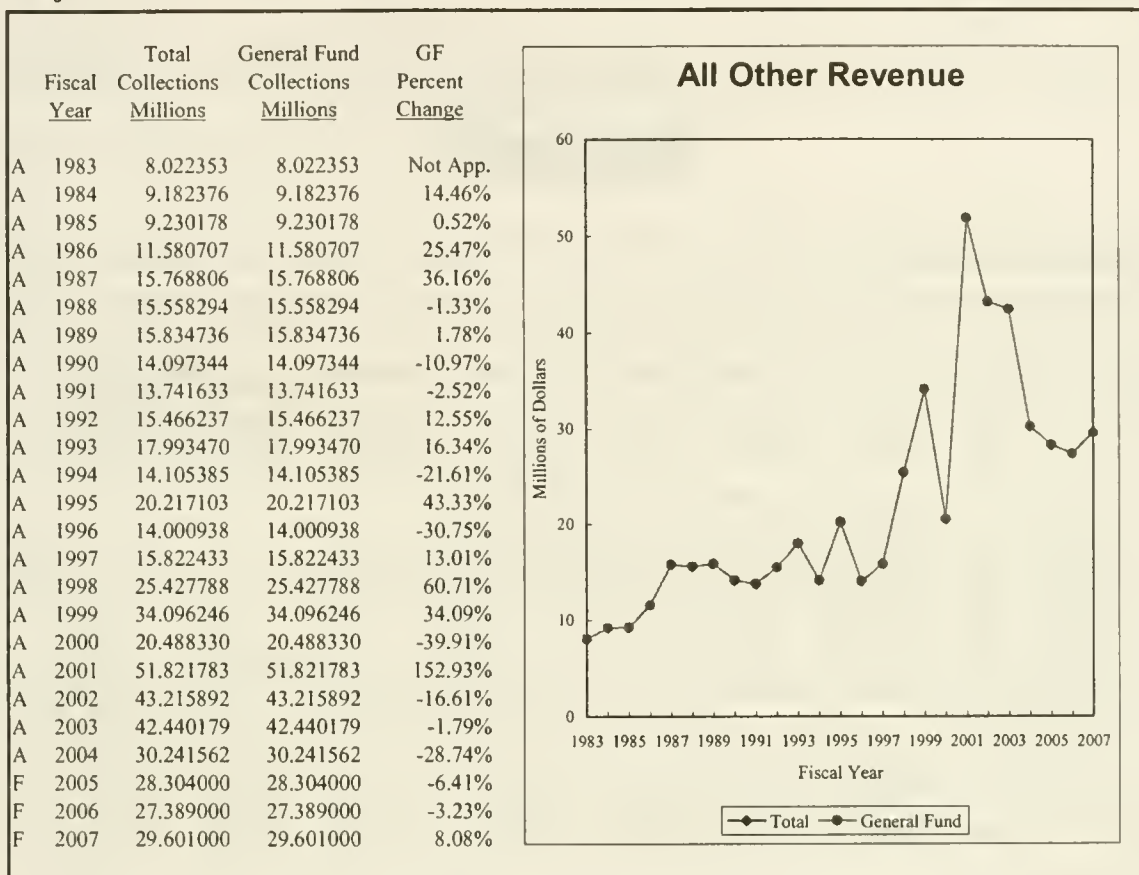
**% of Total FY 2004 General Fund Revenue:** 2.19%

# Legislative Fiscal Division

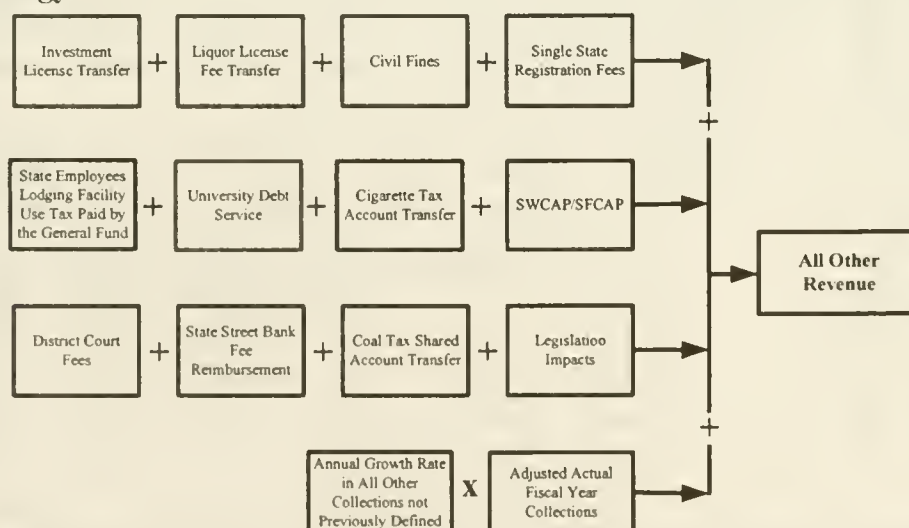
## Revenue Estimate Profile

### All Other Revenue

#### Revenue Projection:



#### Forecast Methodology



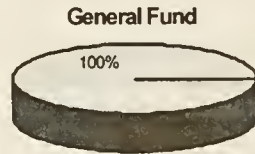


# Legislative Fiscal Division

## Revenue Estimate Profile

### All Other Revenue

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Base	Annual	Adjustments	Vet. Account	One-Time
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Transfer</u>	<u>Transfer</u>
Actual	2000	20.488330	20.488330	9.216695	-24.5934%			
Actual	2001	51.821783	51.821783	11.509661	24.8784%			
Actual	2002	43.215892	43.215892	8.025926	-30.2679%	1.162288		
Actual	2003	42.440179	42.440179	9.474137	18.0442%	21.282497		
Actual	2004	30.241562	30.241562	9.736364	2.7678%	8.189612	1.054958	
Forecast	2005	28.304000	28.304000	9.736364	0.0000%	0.000000	2.890547	4.367070
Forecast	2006	24.734000	24.734000	9.736364	0.0000%	0.000000	3.948177	0.000000
Forecast	2007	24.923000	24.923000	9.736364	0.0000%	0.000000	3.800633	0.000000

	t	Investment					MSU&EMC	SABHRS
	<u>Fiscal</u>	<u>Transfer</u>	<u>Land Grant</u>	<u>Civil Fines</u>	<u>GVW Fees</u>	<u>Accom. Tax</u>	<u>Debt</u>	<u>Debt</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	2.296258	0.086129	0.439498	1.275935	0.016878	0.495693	2.506520
Actual	2001	2.445000	0.091699	0.484739	1.252221	0.052215	0.837170	2.490067
Actual	2002	2.179165	0.000000	0.749382	1.044512	0.038912	0.839583	2.468857
Actual	2003	2.036200	0.000000	0.480945	1.071278	0.032547	0.838186	2.050913
Actual	2004	2.113000	0.000000	0.855870	1.067278	0.040021	0.837743	0.000000
Forecast	2005	2.044000	0.000000	0.571699	1.247000	0.041000	0.833016	0.000000
Forecast	2006	2.104000	0.000000	0.572054	1.280000	0.043000	0.831704	0.000000
Forecast	2007	2.183000	0.000000	0.571764	1.314000	0.046000	0.695734	0.000000

	t		Coal	SFCAP	Liquor License	District	Bank
	<u>Fiscal</u>	<u>FEMA</u>	<u>Transfer</u>	<u>SWCAP</u>	<u>Transfer</u>	<u>Court</u>	<u>Charges</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000000	2.486250	0.000000	0.000000	0.000000
Actual	2001	31.097802	0.611432	0.949777	0.000000	0.000000	0.000000
Actual	2002	23.246341	0.623227	1.023875	1.036184	0.000000	0.777640
Actual	2003	0.000000	0.000000	1.179279	0.558198	2.664891	0.771108
Actual	2004	0.000000	0.000000	2.214579	0.526827	2.839310	0.766000
Forecast	2005	0.000000	0.406344	1.836574	0.516730	3.025145	0.788000
Forecast	2006	0.000000	0.000000	1.836574	0.370141	3.223143	0.788000
Forecast	2007	0.000000	0.083925	1.836574	0.432019	3.434100	0.788000

GF Tax = Base + Vet. Account + One-time + Investment + Civil Fines + GVW Fees + Accom. Tax + MSU&EMC + Coal + SFCAP + Liquor + District + Bank



# Legislative Fiscal Division

## Revenue Estimate Profile

### Highway Patrol Fines

**Revenue Description:** The Montana Highway Patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. The fines and forfeitures associated with these citations are collected by various state and local courts.

**Applicable Tax Rate(s):** Fines for citations are variable.

**Distribution:** All of Highway Patrol fines and forfeitures on all offenses that result from citations issued by the Highway Patrol, except those paid to a justices' court, received by the state are deposited in the general fund.

#### Summary of Legislative Action:

House Bill 99 – Fines increase from a maximum of \$500 to a maximum of \$2,000 for driving with a suspended or revoked license if the suspension or revocation was for: 1) driving under the influence; 2) driving with an excessive alcohol content; or 3) refusing to take a test for alcohol or drugs requested by a peace officer. The increased fines increase general fund revenue by \$712,000 in FY 2006 and \$949,000 in FY 2007. The legislation is effective October 1, 2005.

House Bill 374 – The fine increases from not less than \$300 or more than \$1,000 to not less than \$600 or more than \$2,000 for driving under the influence if one or more passengers under 16 years of age were in the vehicle at the time of the offense. Increased fines increase general fund revenue by \$73,069 in FY 2006 and \$97,425 in FY 2007. The legislation is effective October 1, 2005.

House Bill 377 – The fine for operating an out-of-state motor vehicle, semi trailer, or pole trailer without proper registration or license plates increases from not less than \$10 or more than \$50 to \$300. Increased fines increase general fund revenue by \$8,438 in FY 2006 and \$11,250 in FY 2007. The legislation is effective October 1, 2005.

Senate Bill 80 – The legislation enacts a new offense for knowingly possessing an open alcoholic beverage container in the passenger area of a motor vehicle on a highway. The fine for violating this statute cannot exceed \$100. The new fine is expected to increase general fund revenue by \$122,625 each year. The legislation is effective October 1, 2005.

Senate Bill 123 – The legislation changes the civil penalty for using dye special fuel to operate a motor vehicle upon the public roads and highways. Prior to the change, first time violators were subject to a fine not to exceed \$100, and subsequent violators faced a fine not less than \$100 or more than \$1,000. With revisions enacted in SB 123, the Department of Transportation is required, after giving notice and holding a hearing if requested, to impose a civil penalty not to exceed \$1,000 for the first violation or \$5,000 for the second offense. The changes are expected to increase general fund revenue \$500 each year. The legislation is effective October 1, 2005.

#### Highway Patrol Fines -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0099 Penalty for driving when license suspended or revoked for DUI or test refusal		712,000	949,000
HB0374 Increase drunk driving penalty when person under 16 was in vehicle		73,069	97,425
HB0377 Enforce license plate violations by nonresidents working in Montana		8,438	11,250
SB0080 Prohibit open alcohol containers in vehicles		122,625	122,625
SB0123 Revise contractor recordkeeping for special fuels		500	500
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$916,632</u>	<u>\$1,180,800</u>

#### Statutory Reference:

Tax Rate (MCA)– general fines (61-3-601, 61-5-307, 61-7-118, 61-8-711, 61-9-511), multiple others

Tax Distribution (MCA) – 3-10-601 (fines collected in justice court are included in "All Other General Fund"), 61-10-148 (violations of vehicle size, weight & load), 61-12-701 (fines by Highway Patrol)

Date Due – upon conviction

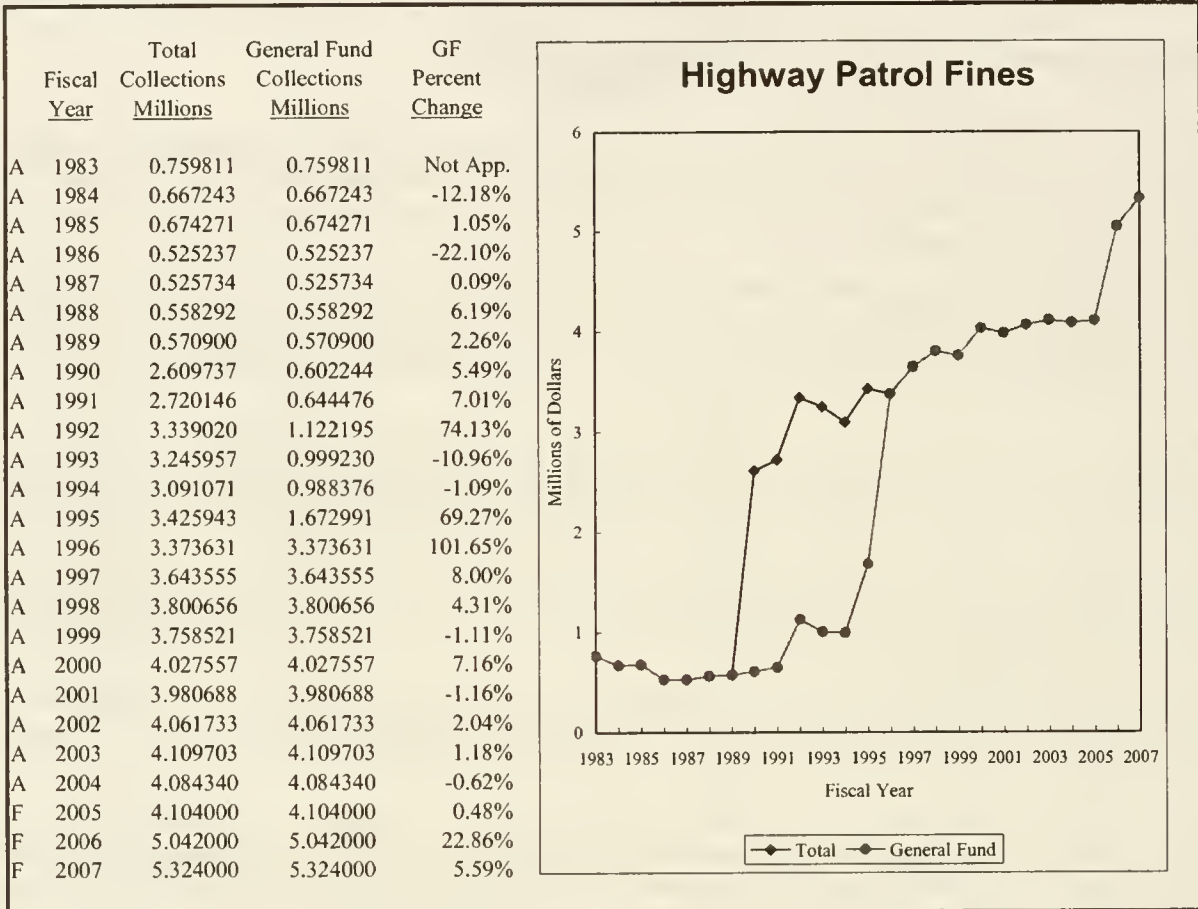
# Legislative Fiscal Division

## Revenue Estimate Profile

### Highway Patrol Fines

% of Total FY 2004 General Fund Revenue: 0.30%

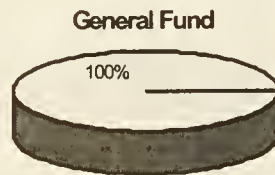
#### Revenue Projection:



#### Forecast Methodology



#### Distribution Methodology



# Legislative Fiscal Division

## Revenue Estimate Profile

### Highway Patrol Fines

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Fine
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Growth Rate</u>
Actual	2000	4.027557	4.027557	0.071580
Actual	2001	3.980688	3.980688	-0.011637
Actual	2002	4.061733	4.061733	0.020360
Actual	2003	4.109703	4.109703	0.011810
Actual	2004	4.084340	4.084340	-0.006171
Forecast	2005	4.104000	4.104000	0.004831
Forecast	2006	4.125000	4.125000	0.005030
Forecast	2007	4.143000	4.143000	0.004456



# Legislative Fiscal Division

## Revenue Estimate Profile

### Nursing Facilities Fee

**Revenue Description:** This source consists of two similar utilization fees on nursing homes: 1) nursing facility utilization fee; and 2) intermediate care facility utilization fee.

With the enactment of House Bill 749 by the 2005 legislature, qualified nursing facilities are required to pay a nursing facility utilization fee of \$7.05 in fiscal 2006 for each bed day in the facility and \$8.30 each year thereafter. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services and include those operated for profit or non-profit, freestanding or part of another health facility, and publicly or privately owned. Specifically included by statute is the Montana Mental Health Nursing Care Center. According to federal definitions, nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements. Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

An intermediate care facility utilization fee is imposed on resident bed days of intermediate care facilities for the mentally retarded. The only qualifying facility is the Montana Developmental Center. With the enactment of Senate Bill 82 by the 2005 legislature, the fee is six percent of a facility's quarterly revenue divided by the quarterly bed days.

**Applicable Tax Rate(s):** 1) Nursing facility utilization fee – Fiscal 2006 - \$7.05 per bed day, Fiscal 2007 - \$8.30 per bed day; 2) Intermediate care facility utilization fee - 6 percent of a facility's quarterly revenue divided by the quarterly bed days

**Distribution:** Nursing facility utilization fee: 1) for fees paid by the Montana Mental Health Nursing Care Center – 30 percent to the general fund and 70 percent to the prevention and stabilization account (for use by the Department of Public Health and Human Services to provide health and human services); 2) for all other facilities - \$2.80/bed day to the general fund, \$4.25/bed day in fiscal 2006 and \$5.50 in fiscal 2007 to the nursing facility fee account (for use by the Department of Public Health and Human Services to increase the average price paid for Medicaid nursing home services). Intermediate care facility utilization fee: for fees paid by the Montana Developmental Center - 30 percent to the general fund and 70 percent to the prevention and stabilization account.

#### Summary of Legislative Action:

House Bill 749 – In addition to increasing the nursing facility tax revenue \$9.6 million in the 2007 biennium, the revision of the nursing facilities bed tax also increases public institution reimbursement collections. The revenue effects and details of the latter are shown in the public institution reimbursement source section. This legislation increases the nursing facility bed tax by \$1.75 in FY 2006 to \$7.05 per day, and by \$3.05 in FY 2007 to \$8.30 per day. Along with increases to general fund revenue, revenue deposited to the state special revenue stabilization account increases \$31,298 in FY 2006 and \$53,655 in FY 2007. The total increase in state special revenue is estimated to be \$3,531,298 in FY 2006 and \$6,053,655 in FY 2007. General fund revenue increases \$13,414 in FY 2006 and \$22,995 in FY 2007. The legislation is effective July 1, 2005.

Senate Bill 82 – In addition to increasing the nursing facility tax revenue \$73,866 in FY 2005 and \$295,524 in the 2007 biennium, the revision to the definition of and rate for intermediate care facilities also increases public institution reimbursement collections. The revenue effects and details of the latter are shown in the public institution reimbursement source section. This legislation expands the definition of an intermediate care facility to include facilities for the mentally retarded and increases the bed tax rate for those facilities from five percent to six percent. Because SB 82 includes retroactive applicability, the changes affect FY 2005 revenue. Along with increases to general fund revenue, revenue deposited in the state special revenue stabilization account increases \$51,720 in FY 2005 and \$103,440 in both fiscal 2006 and 2007. General fund revenue increases \$22,166 in FY 2005 and \$44,331 in both fiscal 2006 and 2007. The legislation is effective on passage and approval.

#### Nursing Facilities Fee -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0749 Revise nursing home bed tax		13,414	22,995
SB0082 Revise definition of and utilization fee on ICF/DD	22,166	44,331	44,331
Total Estimated General Fund Impact	<u>\$22,166</u>	<u>\$57,745</u>	<u>\$67,326</u>



# Legislative Fiscal Division

## Revenue Estimate Profile

### Nursing Facilities Fee

#### Statutory Reference:

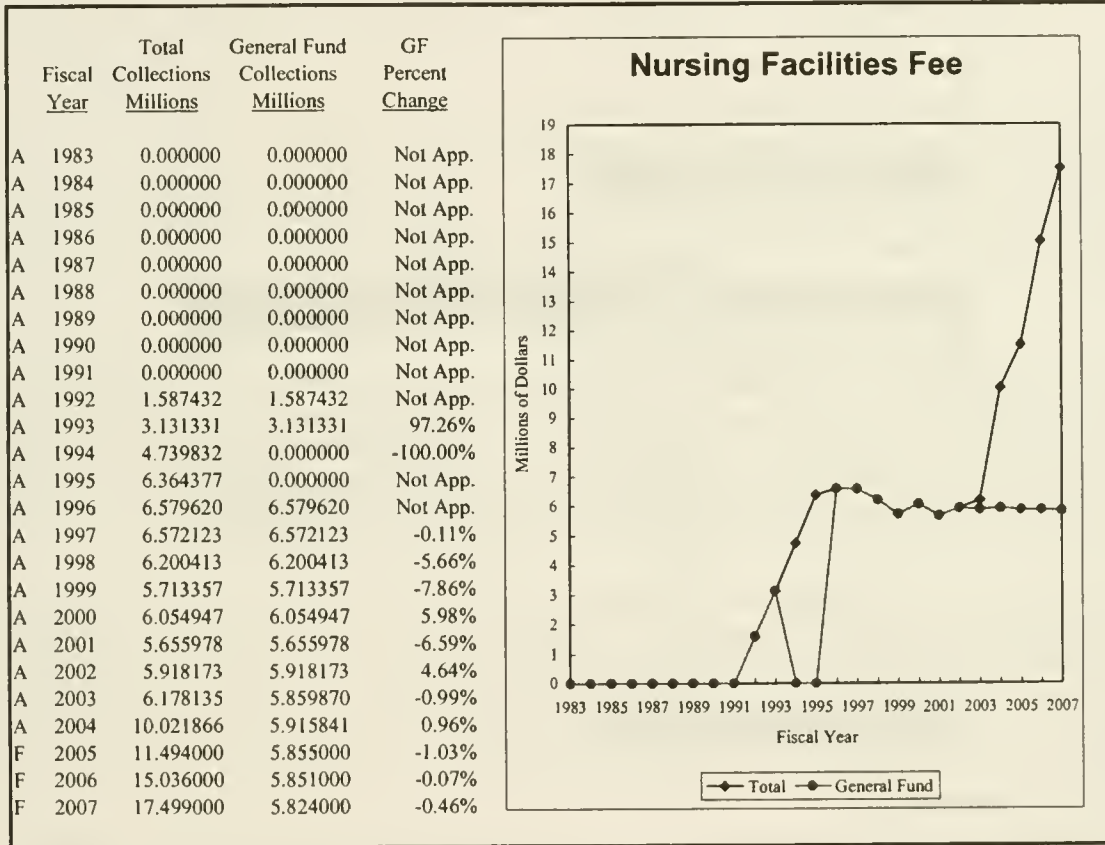
Tax Rate (MCA) – Nursing facility utilization fee (15-60-102), intermediate care facility utilization fee (15-67-102(2))

Tax Distribution (MCA) - Nursing facility utilization fee (15-60-102 & 15-60-210), intermediate care facility utilization fee (15-67-102(3))

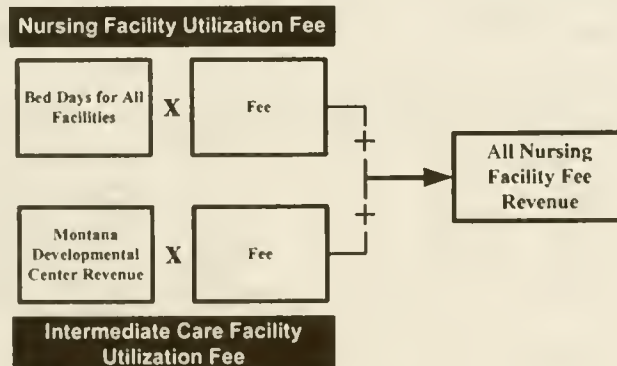
Date Due - Nursing facility utilization fee due the last day of the month following the close of the calendar quarter (15-60-201), intermediate care facility utilization fee due the month following the close of the calendar quarter (15-67-201(1))

% of Total FY 2004 General Fund Revenue: 0.43%

#### Revenue Projection:



#### Forecast Methodology

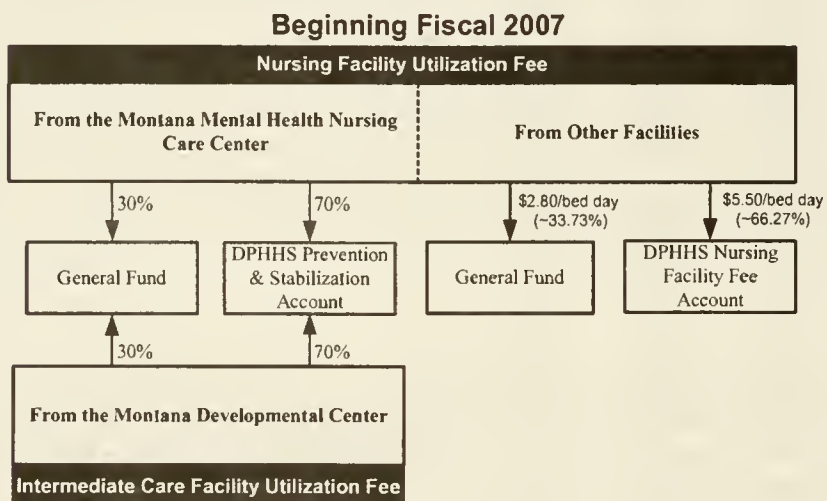
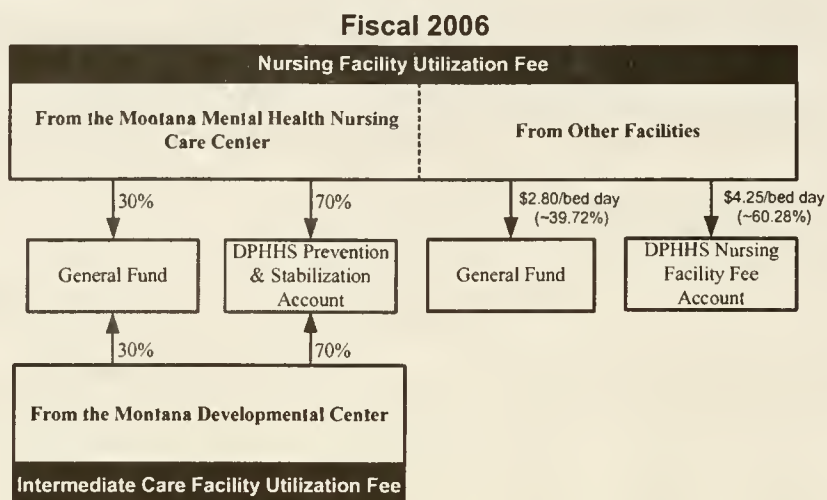


# Legislative Fiscal Division

## Revenue Estimate Profile

### Nursing Facilities Fee

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Facilities	Bed	Int. Care	Int. Care
	Fiscal	Millions	Millions	Fee	Days	Rate	Revenue
Actual	2000	6.054947	6.054947	2.800000	2.113805		
Actual	2001	5.655978	5.655978	2.800000	2.083501		
Actual	2002	5.918173	5.918173	2.800000	2.072696		
Actual	2003	6.178135	5.859870	2.800000	2.047881	5.0000%	9.093277
Actual	2004	10.021866	5.915841	4.500000	2.043377	5.0000%	17.262568
Forecast	2005	11.420000	5.833000	5.300000	2.015377	5.0000%	14.777145
Forecast	2006	11.344000	5.793000	5.300000	2.001048	5.0000%	14.777145
Forecast	2007	11.275000	5.757000	5.300000	1.988086	5.0000%	14.777145

$$\text{GF Tax} = (\text{Facilities} * \text{Bed}) + (\text{Int. Care Revenue} * \text{Rate})$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Public Institution Reimbursements

**Revenue Description:** The Department of Public Health and Human Services receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Montana Mental Health Nursing Care Center, Montana State Hospital (MSH), Eastern Montana Veterans' Home, Montana Chemical Dependency Treatment Center, and the Montana Veterans' Home. There are four sources of reimbursement income: 1) state and federally matched Medicaid monies; 2) insurance proceeds from companies with whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal Medicare funds. Most of the reimbursements come from federal Medicaid payments.

Three variables determine the level of Medicaid nursing home payments: 1) the number of patient days eligible for Medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of Medicaid patients.

**Applicable Tax Rate(s):** N/A

**Distribution:** Revenue collected from the above sources are deposited in the general fund with the following exceptions:

1. Reimbursements from MDC and MSH are first used to pay debt service on bonds issued to fund construction at these facilities. The remainder is deposited into the general fund.
2. Reimbursements received for the Veterans' Home and Montana Chemical Dependency Treatment Center are deposited into a state special revenue account and appropriated to the institutions.

#### Summary of Legislative Action:

House Bill 749 – In addition to increasing the public institution reimbursement collections by \$52,508 in the 2007 biennium, revisions also increase the nursing facility tax revenues. The revenue effects and details of the latter are shown in the nursing facility tax source section. This legislation increases the nursing facility bed tax by \$1.75 in FY 2006 to \$7.05 per day, and by \$3.05 in FY 2007 to \$8.30 per day. The federal government reimburses the state for Medicaid eligible costs, associated with nursing facility care, at the annual Federal Medical Assistance Participation (FMAP) rate. As a result, general fund reimbursements increase \$19,286 in FY 2006 and \$32,772 in FY 2007. The legislation is effective July 1, 2005.

Senate Bill 82 – In addition to increasing public institution reimbursement collections by \$50,103 in FY 2005 and \$195,884 in the 2007 biennium, the revisions to the definition of and rate for intermediate care facilities also increase nursing facility tax revenue. The revenue effects and details of the latter are shown in the nursing facility tax source section. This legislation expands the definition of an intermediate care facility to include facilities for the mentally retarded and increases the bed tax rate for those facilities from five percent to six percent. Because SB 82 includes retroactive applicability, the changes affect revenues in FY 2005. As a result, general fund revenues increase \$50,103 in FY 2005, \$98,456 in FY 2006 and \$97,428 FY 2007. The legislation is effective on passage and approval.

Senate Bill 121 – This legislation allows the Department of Public Health and Human Services to bill forensic placement patients for the cost of their care, increasing general fund revenues by \$128,261 in the 2007 biennium. Under the previous law, residents to the Montana State Hospital who were under any provision of a criminal statute or were enrolled in the Montana chemical dependency center, or those who were financially responsible for the residents were provided limited liability for the costs of care. The legislation removes these limitations. As a result, general fund revenue increases \$109,397 in FY 2006 and \$18,864 in FY 2007. The legislation is effective July 1, 2005.

Public Institution Reimbursements -- Legislation Passed by 59th Legislature  
Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0749 Revise nursing home bed tax		19,286	32,772
SB0082 Revise definition of and utilization fee on ICF/DD	50,103	98,456	97,428
SB0121 Revise laws governing state hospital charges for criminally convicted		109,397	18,864
Total Estimated General Fund Impact	<u>\$50,103</u>	<u>\$227,139</u>	<u>\$149,064</u>

# Legislative Fiscal Division

## Revenue Estimate Profile

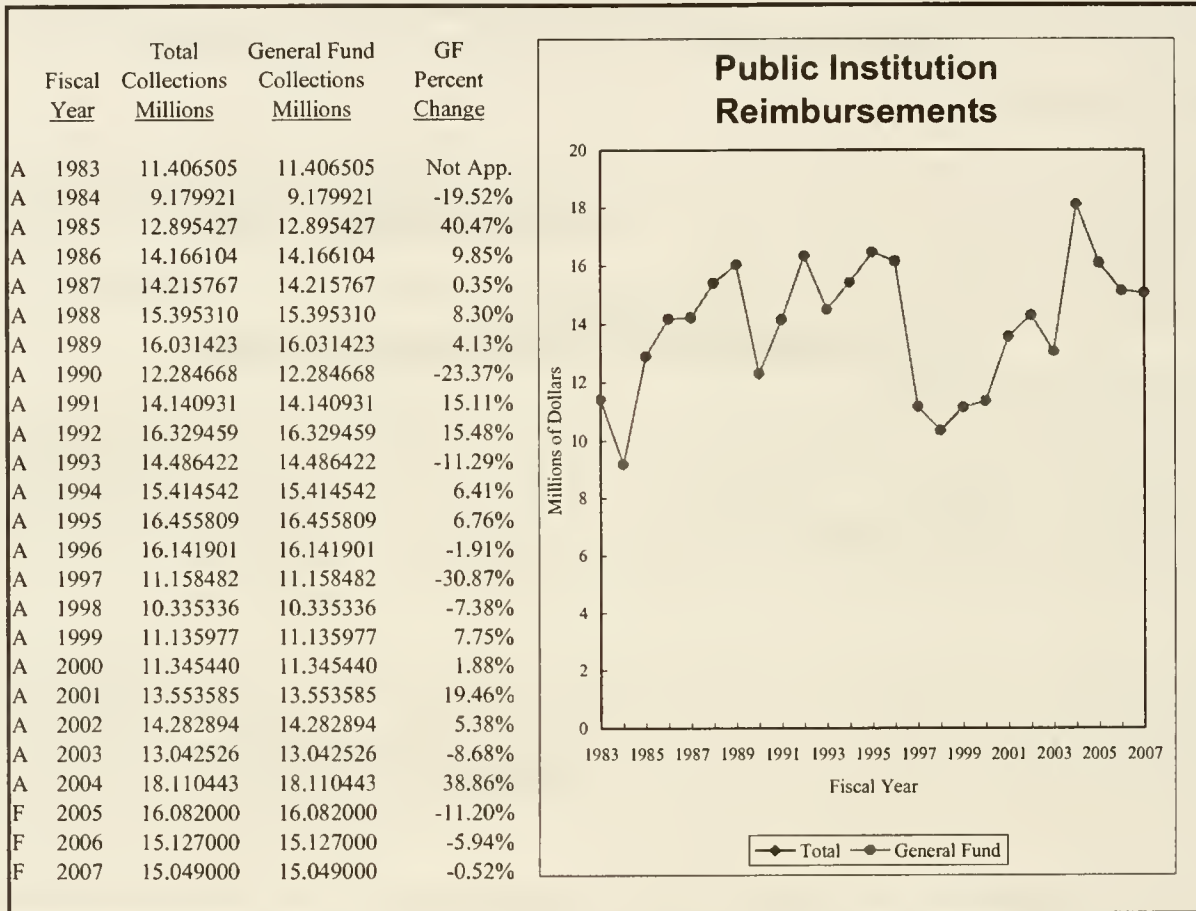
### Public Institution Reimbursements

#### Statutory Reference:

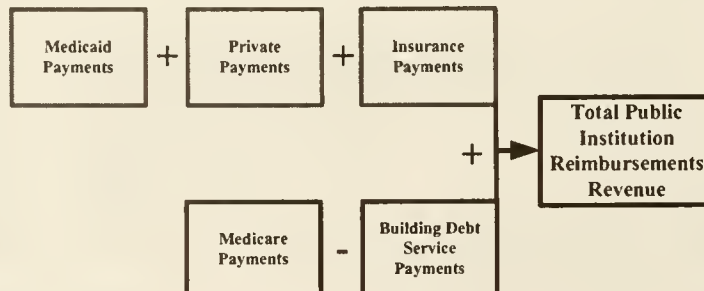
Tax Rate (MCA) – 53-1-402 (requirement to pay)  
 Tax Distribution (MCA) – 53-1-413  
 Date Due – monthly (53-1-405(3))

**% of Total FY 2004 General Fund Revenue:** 1.31%

#### Revenue Projection:



#### Forecast Methodology



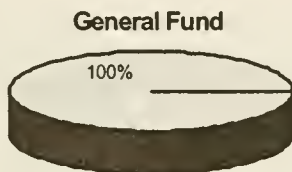


# Legislative Fiscal Division

## Revenue Estimate Profile

### Public Institution Reimbursements

#### Distribution Methodology



#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u> <u>Fiscal</u>	<u>Total Rev.</u> <u>Millions</u>	<u>GF Rev.</u> <u>Millions</u>	<u>Private</u> <u>Millions</u>	<u>Insurance</u> <u>Millions</u>	<u>Medicaid</u> <u>Millions</u>	<u>Medicare</u> <u>Millions</u>
Actual	2000	11.345440	11.345440	0.512403	0.000257	12.490967	0.003044
Actual	2001	13.553585	13.553585	0.649965	0.000498	12.887899	0.015223
Actual	2002	14.282894	14.282894	1.483431	0.317047	10.994744	1.487671
Actual	2003	13.042526	13.042526	1.564208	0.451974	9.900342	1.126001
Actual	2004	18.110443	18.110443	1.424453	0.311203	14.336601	2.038187
Forecast	2005	16.032000	16.032000	2.679880	0.412385	14.159464	1.703181
Forecast	2006	14.900000	14.900000	2.671790	0.420305	12.999022	1.735736
Forecast	2007	14.900000	14.900000	2.700531	0.428635	12.929260	1.770020

	<u>t</u> <u>Fiscal</u>	<u>MDC Debt</u> <u>Millions</u>	<u>MSH Debt</u> <u>Millions</u>	<u>Adjustments</u> <u>Millions</u>
Actual	2000	-0.965496	0.000000	
Actual	2001	-1.079220	-1.909252	0.000000
Actual	2002	-1.075405	-1.911032	0.000000
Actual	2003	-1.045873	-1.776461	-1.572893
Actual	2004	-0.868888	-1.752261	-3.180119
Forecast	2005	-1.013210	-1.909403	0.000000
Forecast	2006	-1.016710	-1.909403	0.000000
Forecast	2007	-1.014610	-1.913178	0.000000

$$\text{GF Rev.} = \text{Private} + \text{Insurance} + \text{Medicaid} + \text{Medicare} - \text{MDC Debt} - \text{MSH Debt}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Settlement

---

**Revenue Description:** Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with four original tobacco companies and 43 subsequent companies to end a four-year legal battle with 46 states, Puerto Rico, American Samoa, the U.S. Virgin Islands, the North Mariana Island, Guam and the District of Columbia (52 total settling entities).

Montana is eligible for four types of payments: 1) reimbursement for legal costs (received December 1999); 2) five initial payments (Two were received in fiscal 2000. One each year is expected in fiscal 2001, 2002, and 2003); 3) on-going, perpetual annual payments; and 4) strategic contribution payments (from fiscal 2008 through 2017). The MSA places no restrictions on how the settling parties spend the money.

The total amount of tobacco settlement funds available to Montana is affected by a number of adjustments. These may include inflation, sales volume changes, non-participating manufacturers (NPM) adjustment for the loss of market shares, operating income of the original four tobacco companies, number and operating income of subsequent participating manufactures, number of states reaching state specific finality, settlements reached by the four states not party to the agreement (Florida, Texas, Minnesota, and Mississippi), litigation offsets, disputed payments, and federal tobacco legislation offsets among others.

The adjustment for NPM is applied for the first time beginning fiscal 2006. Amounts paid by manufacturers who participate in the MSA may decrease if they have lost market shares and it is proven that a significant portion of the loss (to companies not participating in the MSA) is due to the disadvantages caused by the MSA. An economics firm must determine if this is the case. Although this has not yet been determined, it is expected that participating manufactures will withhold a portion of their payments in disputed escrow accounts until the matter is resolved, thus reducing payments to the settling entities.

**Applicable Tax Rate(s):** NA

**Distribution:** Due to passage of Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate no less than 40 percent of tobacco settlement money to a permanent trust fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40 percent. For fiscal 2003, the remaining 60 percent of the money is deposited to the general fund. Due to passage of Initiative 146 by the electorate in November 2002, beginning fiscal 2004, 32 percent of the tobacco settlement money funds tobacco prevention programs and (due to the enactment of SB 485 by the 2003 legislature) human services programs, and 17 percent of the funds is used for the Children's Health Insurance Program and (due to the enactment of SB 485 by the 2003 legislature) match for federal Medicaid funds. The remaining 11 percent of the money is deposited to the general fund. The effects of SB 485 terminate at the end of fiscal 2005.

**Summary of Legislative Action:** The 59<sup>th</sup> Legislature did not enact legislation that impacted this general fund revenue source.

#### Statutory Reference:

Tax Rate – NA

Tax Distribution (MCA) – Montana Constitution, Article X11, Section 4; 17-6-606; 53-4-1011

Date Due – annual payments from settling entities due April 15<sup>th</sup> (Master Settlement Agreement, Chapter IX(c)), General Tobacco annual payments through calendar 2016 due August 30<sup>th</sup> (General Tobacco Adherence Agreement)

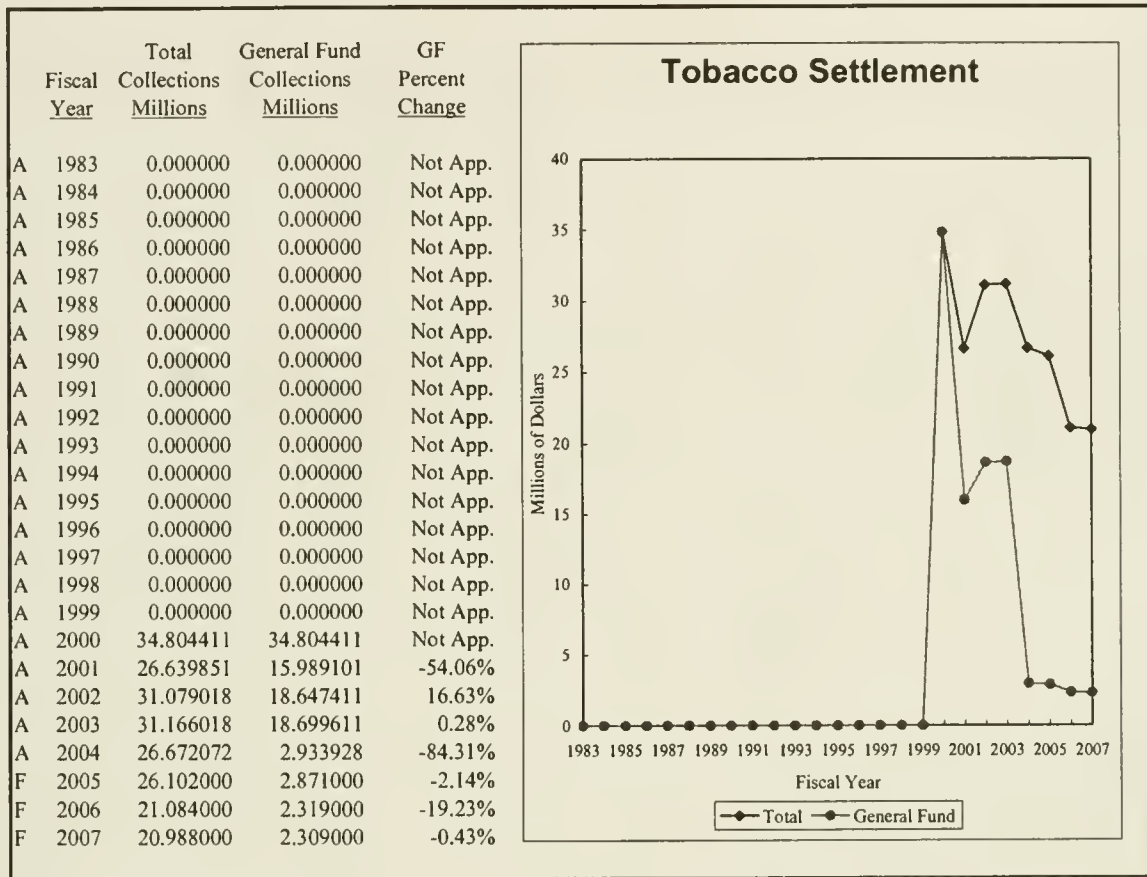
**% of Total FY 2004 General Fund Revenue:** 0.21%

# Legislative Fiscal Division

## Revenue Estimate Profile

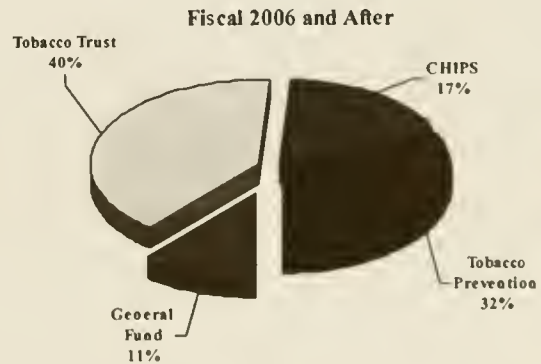
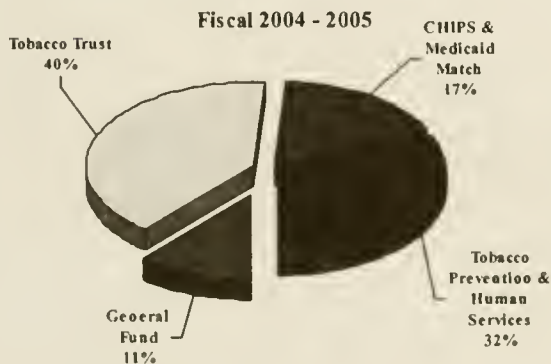
### Tobacco Settlement

#### Revenue Projection:



#### Forecast Methodology

#### Distribution Methodology



# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Settlement

#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Initial</u>	<u>Annual</u>	<u>Montana's</u>	<u>PSS</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Payment</u>	<u>Payment</u>	<u>Share</u>	<u>Reduction</u>
				<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	34.804411	34.804411	4872.000000	4500.000000	0.004247591	-0.124500000
Actual	2001	26.639851	15.989101	2546.160000	5000.000000	0.004247591	-0.124500000
Actual	2002	31.079018	18.647411	2622.544800	6500.000000	0.004247591	-0.124500000
Actual	2003	31.166018	18.699611	2701.221144	6500.000000	0.004247591	-0.124500000
Actual	2004	26.672072	2.933928	0.000000	8000.000000	0.004247591	-0.124500000
Forecast	2005	26.102000	2.871000	0.000000	8000.000000	0.004247591	-0.124500000
Forecast	2006	21.084000	2.319000	0.000000	8000.000000	0.004247591	-0.124500000
Forecast	2007	20.988000	2.309000	0.000000	8000.000000	0.004247591	-0.124500000

	<u>t</u>	<u>Annual</u>	<u>Cummulative</u>	<u>Adjustment</u>	<u>Adjusted</u>	<u>Annual</u>	<u>Cummulative</u>
	<u>Fiscal</u>	<u>Vol. Change</u>	<u>Vol. Change</u>	<u>Factor</u>	<u>Vol. Change</u>	<u>CPI Change</u>	<u>CPI Change</u>
		<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	-0.140094943	-0.140094943	0.980000000	-0.137293044	0.030000000	0.030000000
Actual	2001	-0.015542065	-0.153459643	0.980000000	-0.150390450	0.033868093	0.064884100
Actual	2002	-0.045780332	-0.192214542	0.980000000	-0.188370251	0.030000000	0.096830600
Actual	2003	-0.049400356	-0.232119431	0.980000000	-0.227477042	0.030000000	0.129735500
Actual	2004	-0.056361859	-0.275398607	0.980000000	-0.269890635	0.030000000	0.163627600
Forecast	2005	-0.056361859	-0.316238489	0.980000000	-0.309913719	0.030000000	0.198536400
Forecast	2006	-0.056361859	-0.354776559	0.980000000	-0.347681028	0.030000000	0.234492500
Forecast	2007	-0.056361859	-0.391142552	0.980000000	-0.383319701	0.030000000	0.271527300

	<u>t</u>	<u>Op. Income</u>	<u>SPM</u>	<u>General</u>	<u>NPM</u>
	<u>Fiscal</u>	<u>Adjustment</u>	<u>Payment</u>	<u>Tobacco</u>	<u>Adjustment</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	40.787986	46.446683		
Actual	2001	64.221594	78.134224		
Actual	2002	0.000000	144.417783		
Actual	2003	0.000000	240.733198		
Actual	2004	0.000000	293.806967		
Forecast	2005	0.000000	352.138345	0.000000	0.000000
Forecast	2006	0.000000	434.712146	0.072141	-4.791702
Forecast	2007	0.000000	552.748361	0.080386	-4.767922

Total Tax = [Annual \* (1 + Value Change) \* (1 + Cumulative CPI) \* (1 + PSS) + Op. Income + SPM] \* Montana's + General



# HOUSE JOINT RESOLUTION 2





## HOUSE JOINT RESOLUTION NO. 2

INTRODUCED BY WAITSCHIES, LAKE

BY REQUEST OF THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE

1 A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA ESTABLISHING AN OFFICIAL  
2 ESTIMATE OF THE STATE'S ANTICIPATED GENERAL FUND REVENUE FOR EACH YEAR OF THE 2006-07 BIENNIUM FOR THE PURPOSE OF  
3 ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE MONTANA CONSTITUTION; ACCEPTING A  
4 PRELIMINARY JUNE 30, 2004, UNRESERVED GENERAL FUND BALANCE THAT WAS ESTABLISHED BASED ON GENERALLY ACCEPTED  
5 ACCOUNTING PRINCIPLES; ESTABLISHING OFFICIAL ESTIMATES OF CERTAIN NONGENERAL FUND REVENUE; AND REQUESTING THAT THE  
6 GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS  
7 OFFICIAL REVENUE ESTIMATES FOR FISCAL YEARS 2005, 2006, AND 2007.

12  
13 WHEREAS, Article VI, section 9, of the Montana Constitution requires the Governor to submit to the Legislature a budget for the ensuing fiscal  
14 period, containing in detail for all operating funds the proposed expenditures and estimated revenue of the state; and

15 WHEREAS, Article VIII, section 9, of the Montana Constitution prohibits the Legislature from appropriating funds in excess of the anticipated  
16 revenue of the state; and

17 WHEREAS, section 5-5-227(2), MCA, requires the Revenue and Transportation Interim Committee to estimate the amount of revenue projected  
18 to be available for legislative appropriation and to introduce a resolution setting forth the Committee's current revenue estimate for the biennium; and

19 WHEREAS, section 5-5-227(3), MCA, expresses the Legislature's intent that its revenue estimates and the underlying assumptions used to derive  
20 those estimates be used by all agencies in the development of fiscal notes; and

21 WHEREAS, section 5-12-302(6), MCA, requires the Legislative Fiscal Analyst to assist the Revenue and Transportation Interim Committee in

1 its revenue estimating duties; and

2 WHEREAS, to assist in its revenue estimating responsibilities, the Revenue and Transportation Interim Committee requested the assistance of  
3 the Legislative Fiscal Analyst, as allowed in section 5-5-227(4), MCA, to provide information on taxes and revenue sources; and

4 WHEREAS, the Revenue and Transportation Interim Committee obtains the assistance of Executive Branch agencies in the development of the  
5 revenue estimates; and

6 WHEREAS, the Revenue and Transportation Interim Committee has adopted revenue estimates and the underlying assumptions used to derive  
7 those estimates for the general fund and for specific nongeneral fund sources that are significant in the development of the state budget for the 2007  
8 biennium; and

9 WHEREAS, the amount of estimated revenue and the general fund balance affects policy decisions of the Executive Branch and the Legislative  
10 Branch; and

11 WHEREAS, the revenue estimates and the underlying assumptions contained in this resolution provide the basis for a comprehensive analysis  
12 of the state's revenue condition.

13  
14 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

15 That the state general fund revenue for fiscal years 2005, 2006, and 2007 be estimated to be ~~\$1,384,639,000~~ ~~\$1,396,528,000~~ \$1,411,952,000,  
16 ~~\$1,429,143,000~~ ~~\$1,425,745,000~~ \$1,429,768,000, and ~~\$1,469,173,000~~ ~~\$1,467,194,000~~ \$1,475,348,000, respectively.

17 BE IT FURTHER RESOLVED, that the Legislature accept for budget purposes the ~~preliminary~~ unreserved fiscal year 2004 fund balance of  
18 ~~\$135,254,000~~ \$132,873,000 for the general fund, prepared according to generally accepted accounting principles.

19 BE IT FURTHER RESOLVED, that the Governor's Office of Budget and Program Planning use the revenue estimates and the underlying  
20 assumptions contained in this resolution as the official revenue estimates for fiscal years 2005, 2006, and 2007.

21  
GENERAL FUND REVENUE



1 The projections for total general fund revenue for fiscal years 2005, 2006, and 2007 are based on the assumption of a continuation of Montana  
 2 law as it existed on January 1, 2005. The revenue estimates contained in the following tables are based on the assumptions listed in the tables that follow  
 3 the general fund estimates and the assumptions for each general fund revenue source contained in the "Legislative Budget Analysis, 2007 Biennium,  
 4 Volume 2 -- Revenue Estimates" (Revenue Estimates as adopted by the Revenue and Transportation Interim Committee) prepared by the Legislative  
 5 Fiscal Division.

Current Law		General Fund Revenue Estimates			
		(In Millions of Dollars)			
		Adjusted			
		Actual	Estimated	Estimated	Estimated
11	Source of Revenue	FY 2004	FY 2005	FY 2006	FY 2007
12	Individual Income Tax	\$605.348	<del>\$588.638</del>	\$605.029	\$629.840
13			<u>\$604.062</u>		
14			<u>\$619.486</u>		
15	Statewide and Vo-Tech Property Taxes	169.531	170.051	175.823	182.663
16	Vehicle Tax	83.607	80.360	80.140	82.050
17	Corporation Income Tax	67.723	66.332	80.621	77.927
18	Insurance Tax and License Fees	56.533	59.272	62.163	65.220
19	Video Gambling Tax	50.749	52.932	55.304	57.782
20	All Other Revenue	30.242	28.304	24.734	24.923
21	Permanent Coal Trust Interest Earnings	34.907	35.999	36.790	37.244

1		<u>33.892</u>	<u>33.563</u>	<u>33.899</u>
2	Motor Vehicle Fee	30.724	31.730	37.819
3	U.S. Mineral Royalty	28.736	35.837	<del>35.334</del>
4				<u>37.283</u>
5	Telecommunications Excise Tax	20.890	21.307	22.101
6	Tobacco Settlement	2.934	2.871	2.309
7	Public Institution Reimbursements	18.110	16.032	14.900
8	3% Accommodations Sales Tax	9.279	10.113	11.419
9	Estate Tax	11.431	3.701	0.939
10	Oil and Natural Gas Production Tax	41.324	58.206	<del>59.057</del>
11				<u>65.263</u>
12	Treasury Cash Account Interest	6.393	<del>40.602</del>	<del>13.015</del>
13			<u>9.174</u>	<u>14.381</u>
14	Liquor Excise and License Tax	10.718	11.125	11.959
15	Coal Severance Tax	8.643	9.105	8.841
16	Cigarette Tax	36.002	34.608	32.030
17	Lottery Profits	8.116	7.273	7.953
18	Nursing Facilities Fee	5.916	5.833	5.757
19	Liquor Profits	6.500	6.608	7.158
20	Investment License Fee	4.834	4.464	4.736
21	Electrical Energy Producer's License Tax	4.661	4.295	4.270

1	Highway Patrol Fines	4.084	4.104	4.125	4.143
2	Metalliferous Mines Tax	3.232	4.483	5.328	5.533
3	Public Contractors Tax	2.120	1.748	3.030	2.872
4	Wholesale Energy Transaction Tax	3.293	3.485	3.520	3.555
5	Beer Tax	2.897	2.933	2.986	3.039
6	Driver's License Fee	3.021	2.997	3.011	3.018
7	Rental Car Sales Tax	2.486	2.593	2.704	2.820
8	Tobacco Tax	3.562	3.677	3.779	3.847
9	Railroad Car Tax	1.568	1.585	1.574	1.562
10	Wine Tax	1.423	1.436	1.487	1.538
11	Total General Fund	\$1,381.565	<del>\$1,384.639</del>	<del>\$1,429.143</del>	<del>\$1,469.179</del>
12			<del>\$1,396.528</del>	<del>\$1,425.745</del>	<del>\$1,467.194</del>
13			<u>\$1,411.952</u>	<u>\$1,429.768</u>	<u>\$1,475.348</u>

## SIGNIFICANT ASSUMPTIONS FOR GENERAL FUND REVENUE ESTIMATES

## Revenue and Transportation Interim Committee

16	Year Assumption	2004	2005	2006	2007
17	Individual Income Tax				
18	FY Income Tax Audit Collections (Millions)	\$29.922	\$25.501	\$26.162	\$27.578
19	CY Taxpayer Population (Percent Change)	1.00%	2.01%	3.03%	4.08%
20	FY 30% Bonus Depreciation (Percent Change)	(30.00%)	(69.31%)	(500.56%)	(39.19%)
21	Income Indicators				

1	CY	Wage and Salary Income (Percent Change)	5.70%	4.40%	4.50%	4.50%
2	CY	Net Farm Income (Percent Change)	0.00%	0.00%	0.00%	0.00%
3	CY	Interest Income (Percent Change)	1.48%	1.37%	1.03%	4.37%
4	CY	Dividend Income (Percent Change)	11.96%	1.42%	6.39%	6.34%
5	CY	Rent, Royalty, and Partnership				
6		Income (Percent Change)	10.19%	9.10%	7.69%	7.38%
7	CY	Net Business Income (Percent Change)	8.89%	7.02%	5.58%	5.91%
8	CY	Capital Gains and Losses				
9		(Percent Change)	0.00%	1.88%	3.92%	4.98%
10	CY	Supplemental Gains (Percent Change)	0.00%	1.88%	3.92%	4.98%
11	CY	Social Security Income (Percent Change)	4.86%	4.37%	8.01%	6.37%
12	CY	IRA Income (Percent Change)	4.86%	4.37%	8.01%	6.37%
13	CY	Pension Income (Percent Change)	4.86%	4.37%	8.01%	6.37%
14	CY	Other Income (Percent Change)	0.00%	0.00%	0.00%	0.00%
15	CY	Bond Interest (Percent Change)	1.48%	1.37%	1.03%	4.37%
16	CY	Federal Income Tax Refunds				
17		(Percent Change)	4.80%	4.80%	4.80%	4.80%
18	CY	Other Additions to Income				
19		(Percent Change)	1.20%	1.20%	1.20%	1.20%
20	CY	IRA Deduction (Percent Change)	1.48%	1.37%	1.03%	4.37%
21	CY	Reductions to Income (Percent Change)	5.19%	5.12%	5.13%	5.47%



1	CY	Other Reductions to Income	7.00%	7.00%	7.00%	7.00%
2		Deductions From Income				
3	CY	Medical Premiums (Percent Change)	7.16%	7.84%	7.39%	6.10%
4	CY	Medical Deductions (Percent Change)	7.16%	7.84%	7.39%	6.10%
5	CY	Real Estate Tax (Percent Change)	4.17%	4.17%	4.17%	4.17%
6	CY	Prior Year Federal Tax Payments				
7		(Percent Change)	4.11%	4.11%	4.11%	4.11%
8	CY	Motor Vehicle Taxes and Fees				
9		(Percent Change)	3.00%	3.00%	3.00%	3.00%
10	CY	Home Mortgage (Percent Change)	4.29%	5.15%	4.62%	4.52%
11	CY	Contributions (Percent Change)	5.40%	5.40%	5.40%	5.40%
12	CY	Gambling Losses (Percent Change)	0.00%	0.00%	0.00%	0.00%
13	CY	Total Itemized Deductions				
14		(Percent Change)	5.55%	(22.34%)	4.99%	3.56%
15		Credits				
16	CY	Homeowner and Renter Credit (Millions)	\$12.135	\$12.718	\$13.328	\$13.968
17	CY	All Other Credits (Percent Change)	0.57%	4.00%	4.00%	4.00%
18		Other Individual Income Tax Assumptions				
19	CY	Tax Liability (Millions)	\$577.410	\$564.619	\$579.141	\$610.498
20	CY	Current Calendar Year to				
21		Fiscal Year Conversion	52.1%	52.1%	52.1%	52.1%

1	CY	Previous Calendar Year to				
2		Fiscal Year Conversion	47.9%	47.9%	47.9%	
3	FY	Fiscal Year 2003 Base (Millions)	\$535.831			
4	Property Taxes: Taxable Value and Other Property Tax Indicators					
5		Taxable Value--40-Mill, 55-Mill, and 1.5-Mill Levies				
6	FY	Property Class One (Millions)	\$7.808	\$8.032	\$9.080	\$9.080
7	FY	Property Class Two (Millions)	\$8.800	\$10.428	\$12.719	\$17.058
8	FY	Property Class Three (Millions)	\$140.240	\$139.902	\$139.902	\$139.902
9	FY	Property Class Four (Millions)	\$1,034.656	\$1,076.985	\$1,118.987	\$1,162.627
10	FY	Property Class Five (Millions)	\$32.725	\$34.024	\$34.058	\$34.092
11	FY	Property Class Seven (Millions)	\$0.995	\$0.974	\$0.974	\$0.974
12	FY	Property Class Eight (Millions)	\$118.297	\$117.241	\$121.344	\$125.591
13	FY	Property Class Nine (Millions)	\$212.111	\$219.993	\$219.773	\$219.553
14	FY	Property Class Ten (Millions)	\$6.789	\$6.791	\$6.676	\$6.562
15	FY	Property Class Twelve (Millions)	\$45.630	\$45.074	\$44.173	\$43.289
16	FY	Property Class Thirteen (Millions)	\$125.623	\$120.485	\$118.557	\$116.660
17	FY	Total Taxable Value (Millions)	\$1,703.301	\$1,756.251	\$1,802.672	\$1,856.268
18		Other Property Tax Indicators				
19	FY	Tax Increment Finance Value (Millions)	\$33.562	\$27.767	\$27.767	\$23.430
20	FY	Property Tax Abatement Value (Millions)	\$3.188	\$4.088	\$4.195	\$4.308
21	FY	Taxable Value in 1.5-Mill Vo-Tech Counties				

1	(Millions)	\$596.513	\$608.056	\$624.056	\$646.070
2	Property Tax Nonlevy Revenue				
3	FY 40-Mill Nonlevy Revenue (Millions)	\$4.315	\$0.000	\$0.000	\$0.000
4	FY 40-Mill Adjustments (Millions)	(\$7.063)	(\$5.650)	(\$4.238)	(\$2.825)
5	FY 55-Mill Nonlevy Revenue (Millions)	\$13.316	\$8.315	\$8.241	\$8.543
6	FY 55-Mill Adjustments (Millions)	\$0.000	(\$0.370)	(\$0.370)	(\$0.370)
7	FY 1.5-Mill Nonlevy Revenue (Millions)	\$0.000	\$0.000	0.000	\$0.000
8	FY 1.5-Mill Adjustments (Millions)	\$0.000	\$0.000	\$0.000	\$0.000
9	Vehicle Tax				
10	FY Large Trucks Growth Rate				
11	(Percent Change)	11.20%	2.40%	2.40%	2.40%
12	FY Motor Home Growth Rate (Percent Change)	67.34%	2.40%	2.40%	2.40%
13	FY Light Vehicle Growth Rate				
14	(Percent Change)	34.18%	2.40%	2.40%	2.40%
15	FY Boat and Snowmobile Growth Rate				
16	(Percent Change)	2.63%	2.40%	2.40%	2.40%
17	FY New Light Vehicle Registration				
18	Growth Rate (Percent Change)	34.18%	2.40%	2.40%	2.40%
19	Corporation License Tax				
20	FY U.S. Profits (Billions)	\$933.400	\$1,165.200	\$1,348.500	\$1,383.200
21	FY Penalty and Interest (Millions)	\$4.143	\$0.000	\$0.000	\$0.000

1	FY	Corporate Income Tax Audits (Millions)	\$10.031	\$3.000	\$3.500	\$4.000
2	FY	Depreciation (Millions)	(\$8.721)	(\$1.075)	\$4.303	\$2.616
3	FY	Adjustments (Millions)	(\$13.195)	(\$8.400)	\$0.000	\$0.000
4		Insurance Premiums Tax and License Fees				
5	FY	General Fund Fee Revenue (Millions)	\$0.623	\$0.623	\$0.623	\$0.623
6	FY	Genetics Fee (Millions)	\$0.583	\$0.583	\$0.583	\$0.583
7	FY	Premiums Tax (Millions)	\$56.775	\$59.593	\$62.551	\$65.656
8	FY	Offsets (Millions)	\$1.161	\$1.128	\$1.120	\$1.168
9	FY	Refunds (Millions)	\$0.287	\$0.400	\$0.475	\$0.475
10		Video Gambling Tax				
11	FY	Video Machine Net Income (Millions)	\$332.903	\$352.877	\$368.688	\$385.208
12		<u>PERMANENT COAL TRUST INTEREST EARNINGS</u>				
13	FY	<u>CAPITAL GAINS (MILLIONS)</u>	<u>\$12.315</u>	<u>\$6.400</u>	<u>\$3.000</u>	<u>\$3.000</u>
14		Motor Vehicle Fee--General Fund Allocations				
15	FY	Motor Vehicle Registration Fee				
16		(Millions)	\$22.577	\$22.011	\$22.539	\$23.080
17	FY	Recording of Liens Fee (Millions)	\$0.737	\$0.755	\$0.773	\$0.792
18	FY	Title Fee (Millions)	\$2.660	\$2.724	\$2.790	\$2.857
19	FY	Park Fees	\$0.000	\$0.000	\$2.744	\$2.810
20	FY	Personal License Plate Fee (Millions)	\$1.492	\$1.528	\$1.565	\$1.602
21	FY	New License Plate Fee (Millions)	\$0.910	\$1.331	\$4.935	\$2.447



1	FY	Senior Citizen Transit Fee (Millions)	\$0.394	\$0.404	\$0.413	\$0.423
2	FY	Other Fees (Millions)	\$1.953	\$2.171	\$2.223	\$2.276
3	U.S.	Mineral Royalty				
4	CY	Oil Production (Millions of Barrels)	4.026	4.954	5.309	6.045
5	CY	Coal Production (Millions of Tons)	21.699	19.528	20.565	22.789
6	CY	Natural Gas Production (MMCF)	25.100	25.126	24.018	27.129
7	CY	Oil Price (Per Barrel)	\$44.786	\$38.516	<del>\$33.394</del>	<del>\$33.570</del>
8					<u>\$36.734</u>	<u>\$36.929</u>
9	CY	Coal Price (Per Ton)	\$9.448	\$9.134	\$9.285	\$9.240
10	CY	Natural Gas Price (Per MCF)	\$6.929	\$6.468	<del>\$6.365</del>	<del>\$5.243</del>
11					<u>\$7.001</u>	<u>\$5.738</u>
12	CY	Oil Royalty Rate (Percent)	10.96%	10.93%	10.91%	10.93%
13	CY	Coal Royalty Rate (Percent)	12.32%	12.33%	12.34%	12.33%
14	CY	Natural Gas Royalty Rate (Percent)	12.29%	12.30%	12.28%	12.30%
15	CY	Other Royalties (Millions)	\$0.107	\$0.108	\$0.107	\$0.108
16	CY	Rent and Bonus (Millions)	\$6.944	\$6.944	\$6.944	\$6.944
17		Telecommunications Excise Tax				
18	FY	Taxable Gross Receipts (Millions)	\$544.550	\$554.842	\$565.328	\$576.013
19		Tobacco Settlement				
20	FY	Volume Change (Percent Change)	(5.64%)	(5.64%)	(5.64%)	(5.64%)
21	FY	Cumulative Volume Change				

1	(Percent Change)	(27.54%)	(31.62%)	(35.48%)	(39.11%)
2	FY CPI Change (Percent Change)	3.00%	3.00%	3.00%	3.00%
3	FY Cumulative CPI Change (Percent Change)	16.36%	19.85%	23.45%	27.15%
4	FY Operating Income Adjustment (Millions)	\$0.000	\$0.000	\$0.000	\$0.000
5	FY Subsequent Manufacturers' Payment				
6	(Millions)	\$293.807	\$352.138	\$434.712	\$552.748
7	FY Nonparticipating Manufacturers'				
8	Adjustment (Millions)	\$0.000	\$0.000	(\$4.792)	(\$4.768)
9	Public Institution Reimbursements				
10	FY Private Payments (Millions)	\$1.424	\$2.680	\$2.672	\$2.700
11	FY Insurance Payments (Millions)	\$0.311	\$0.412	\$0.420	\$0.429
12	FY Medicaid Payments (Millions)	\$14.337	\$14.159	\$12.999	\$12.929
13	FY Medicare Payments (Millions)	\$2.038	\$1.703	\$1.736	\$1.770
14	FY Debt Service MT Developmental Center				
15	(Millions)	(\$0.869)	(\$1.013)	(\$0.017)	(\$1.015)
16	FY Debt Service MT State Hospital				
17	(Millions)	(\$1.752)	(\$1.909)	(\$1.909)	(\$1.913)
18	FY Adjustments (Millions)	(\$3.180)	\$0.000	\$0.000	\$0.000
19	Estate Tax				
20	FY Annual Change in Tax (Percent Change)	(14.09%)	(67.62%)	(47.32%)	(51.85%)
21	Oil Production Tax				

1	CY	Oil Production (Million Barrels)	22.324	27.472	29.439	33.517
2	CY	Montana Oil Price				
3		(Weighted Price/Barrel)	\$46.00	\$39.56	<del>\$34.30</del>	<del>\$34.48</del>
4					<u>\$37.73</u>	<u>\$37.93</u>
5	CY	Exempt Value of Production (Millions)	\$29.461	\$21.455	<u>\$23.350</u>	\$30.139
6	CY	Effective Tax Rate (Percent)	9.07%	8.45%	9.00%	8.57%
7		Natural Gas Production Tax				
8	CY	Natural Gas Production (MMCF)	89.464	100.744	107.368	116.048
9	CY	Montana Natural Gas Price				
10		(Weighted Price/MCF)	\$5.41	\$5.05	<del>\$4.97</del>	<del>\$4.07</del>
11					<u>\$5.47</u>	<u>\$4.48</u>
12	CY	Exempt Value of Production (Millions)	\$19.884	\$14.230	\$16.941	\$16.790
13	CY	Effective Tax Rate (Percent)	9.42%	9.14%	9.05%	9.01%
14		Treasury Cash Account Interest				
15	FY	TCA Average Balance w/TRANS (Millions)	\$311.478	<del>\$311.478</del>	<del>\$311.478</del>	<del>\$311.478</del>
16				<u>\$351.478</u>	<u>\$351.478</u>	<u>\$351.478</u>
17	FY	TCA Average Yield (Percent)	2.05%	<del>3.40%</del>	<del>4.27%</del>	<del>4.18%</del>
18				<u>2.77%</u>	<u>3.73%</u>	<u>4.09%</u>
19	FY	TRANS Issue Size (Millions)	\$73.400	\$0.000	\$0.000	\$0.000
20		Liquor Excise and License Tax				
21	FY	Tribal Distributions (Millions)	(\$0.216)	(\$0.212)	(\$0.222)	(\$0.232)

1	Coal Severance Tax				
2	CY Severance Tax Coal Production				
3	(Million Tons)	34.165	32.370	31.448	33.563
4	CY Montana Contract Sales Price				
5	(Weighted CSP/Ton)	\$6.759	\$6.617	\$6.656	\$6.650
6	Cigarette Tax				
7	FY Cigarette Packs (Millions)	60.907	50.228	45.239	43.991
8	FY Effective Tax Rate Per Pack (Dollars)	\$0.70	\$1.20	\$1.70	\$1.70
9	FY Tribal Distribution (Millions)	(\$0.396)	(\$0.803)	(\$1.735)	(\$2.234)
10	Lottery Profits				
11	FY Total Lottery Sales (Millions)	\$36.738	\$34.985	\$35.136	\$35.249
12	FY Lottery Interest Earnings (Millions)	\$0.044	\$0.063	\$0.092	\$0.103
13	FY Other Revenue (Millions)	\$0.003	\$0.003	\$0.003	\$0.003
14	FY Lottery Operating Budget (Millions)	\$7.898	\$7.977	\$8.056	\$7.451
15	FY Lottery Prizes and Commissions				
16	(Millions)	\$20.771	\$19.801	\$19.886	\$19.950
17	Nursing Facilities Fee				
18	FY Bed Days (Millions)	2.043	2.015	2.001	1.988
19	Liquor Profits				
20	FY Gross Liquor Sales (Millions)	\$70.828	\$73.444	\$76.161	\$78.979
21	FY Cost of Goods Sold (Millions)	\$39.933	\$41.920	\$43.471	\$45.080



**Legislative  
Services  
Division**

1	CY	Nickel Production (Million lb)	1.420	1.310	1.448	1.517
2	CY	Rhodium Production (Million oz) Not disclosed, confidential information				
3	CY	Sapphire Production (Million oz)	0.000	0.000	0.000	0.000
4	CY	Copper Sulfide Production (Million lb)	0.000	0.000	0.000	0.000
5	CY	Copper Price (Per lb)	\$0.887	\$0.995	\$0.910	\$0.845
6	CY	Silver Price (Per oz)	\$6.174	\$6.330	\$6.390	\$6.390
7	CY	Gold Price (Per oz)	\$399.953	\$411.080	\$421.740	\$437.730
8	CY	Lead Price (Per lb)	\$0.423	\$0.420	\$0.420	\$0.420
9	CY	Zinc Price (Per lb)	\$0.488	\$0.490	\$0.490	\$0.490
10	CY	Molybdenum Price (Per lb) Not disclosed, confidential information				
11	CY	Palladium Price (Per oz) Not disclosed, confidential information				
12	CY	Platinum Price (Per oz) Not disclosed, confidential information				
13	CY	Nickel Price (Per lb)	\$6.295	\$6.300	\$6.300	\$6.300
14	CY	Rhodium Price (Per oz) Not disclosed, confidential information				
15	CY	Sapphire Price (Per oz)	\$0.000	\$0.000	\$0.000	\$0.000
16	CY	Copper Sulfide Price (Per lb)	\$0.000	\$0.000	\$0.000	\$0.000
17	FY	Effective Tax Rate (Percent)	1.69%	1.68%	1.67%	1.67%
18		Public Contractor's Tax				
19	FY	Tax Before Credits (Millions)	\$6.004	\$6.399	\$6.327	\$6.239
20	FY	Credits and Refunds (Millions)	\$3.884	\$4.651	\$3.298	\$3.367
21		Wholesale Energy Tax				

1	FY	Kilowatt Hours (Millions)	23,961.126	23,235.939	23,468.298	23,702.981
2	FY	Credits for Taxes Paid (Million)	\$0.000	\$0.000	\$0.000	\$0.000
3	Beer Tax					
4	FY	Beer Barrels (Million)	0.901	0.911	0.928	0.944
5	FY	Tribal Distribution (Million)	(\$0.059)	(\$0.057)	(\$0.058)	(\$0.060)
6	FY	Effective Tax Rate (Percent)	4.28%	4.28%	4.28%	4.28%
7	Driver's License Fees					
8	FY	Driver's License Fees (Millions)	\$2.291	\$2.301	\$2.313	\$2.320
9	FY	Duplicate License Fees (Millions)	\$0.186	\$0.186	\$0.187	\$0.188
10	FY	Motorcycle Endorsement Fees (Millions)	\$0.014	\$0.014	\$0.015	\$0.015
11	FY	Commercial Vehicle				
12		Endorsement (Millions)	\$0.421	\$0.421	\$0.421	\$0.421
13	Tobacco Tax					
14	FY	Value of Tobacco Products (Millions)	\$4.160	\$3.830	\$3.736	\$3.831
15	FY	Snuff Ounces (Millions)	8.080	7.393	7.255	7.440
16	FY	Tribal Distribution (Millions)	(\$0.064)	(\$0.085)	(\$0.163)	(\$0.223)
17	Railroad Car Tax					
18	CY	Total MT Market Value of Fleets				
19		(Millions)	\$84.020	\$82.645	\$82.840	\$82.840
20	CY	Taxable Value Rate (Percent)	3.88%	3.81%	3.70%	3.60%
21	CY	95% of Industrial and				

1 Commercial Mill Levy 474.429 503.390 513.458 523.727

2 Wine Tax

3 FY Wine Liters (Million) 7.794 7.858 8.136 8.415

4 FY Tribal Distribution (Million) (\$0.029) (\$0.028) (\$0.029) (\$0.030)

#### 5 SELECTED NONGENERAL FUND REVENUE

6 The projections for selected nongeneral fund revenue during the 2007 biennium are based on the assumption of a continuation of Montana law  
 7 as it existed on January 1, 2005. The revenue estimates contained in the following table are based on the assumptions listed in the tables that follow the  
 8 nongeneral fund estimates and the assumptions for each nongeneral fund revenue source contained in the "Legislative Budget Analysis, 2007 Biennium,  
 9 Volume 2 -- Revenue Estimates" (Revenue Estimates as adopted by the Revenue and Transportation Interim Committee) prepared by the Legislative  
 10 Fiscal Division.

#### 11 Current Law

#### 12 Selected Nongeneral Fund Revenue Estimates

13 (In Millions of Dollars)

15 Source of Revenue	Actual	Estimated	Estimated	Estimated
16 FY 2004	FY 2005	FY 2006	FY 2007	
17 Gasoline Tax	\$129.154	\$129.752	<del>\$127.007</del>	<del>\$124.916</del>
18			<u>\$130.336</u>	<u>\$130.916</u>
19 Diesel Tax	60.750	63.287	65.929	68.681
20 Common School Interest and Income	55.663	<del>60.373</del>	<del>59.307</del>	<del>58.106</del>
21		<u>59.004</u>	<u>56.809</u>	<u>55.568</u>



1				<u>57.286</u>		<u>56.571</u>
2	GVW and Other Fees	27.500	27.896	28.287		28.732
3	Federal Forest Receipts	12.491	12.654	12.795		12.878
4	6-Mill Property Tax	11.012	10.704	10.983		11.278
5	Resource Indemnity Trust Interest	7.380	<del>7.401</del>	<del>7.417</del>		<del>7.420</del>
6			<u>6.898</u>	<u>6.626</u>		<u>6.627</u>
7	Treasure State Endowment Trust Interest	8.349	<del>9.094</del>	<del>9.704</del>		<del>10.230</del>
8			<u>8.337</u>	<u>8.578</u>		<u>9.071</u>
9	Gasoline Storage Tank Tax	3.808	3.825	3.841		3.858
10	Resource Indemnity Trust Tax	1.251	1.229	1.176		1.323
11	Diesel Storage Tank Tax	2.431	2.532	2.638		2.748
12	Parks Trust Interest Earnings	1.140	<del>4.463</del>	<del>1.191</del>		<del>1.217</del>
13			<u>1.080</u>	<u>1.061</u>		<u>1.086</u>
14	Capital Land Grant Interest and Income	2.413	0.820	0.939		0.943
15	Tobacco Trust Interest Earnings	2.670	<del>3.123</del>	<del>3.709</del>		<del>4.230</del>
16			<u>2.841</u>	<u>3.301</u>		<u>3.820</u>
17	Regional Water Trust Interest Earnings	1.201	<del>4.487</del>	<del>1.757</del>		<del>2.007</del>
18			<u>1.348</u>	<u>1.553</u>		<u>1.797</u>
19	Pine Hills Interest and Income	0.394	<del>0.388</del>	<del>0.388</del>		<del>0.389</del>
20			<u>0.373</u>	<u>0.365</u>		<u>0.366</u>
21	Cultural Trust Interest Earnings	0.326	<del>0.338</del>	<del>0.351</del>		<del>0.364</del>

1				<u>0.315</u>	<u>0.315</u>	<u>0.328</u>
2	Deaf and Blind Trust Interest and Income		0.299	<u>0.304</u>	<u>0.305</u>	<u>0.306</u>
3				<u>0.289</u>	<u>0.282</u>	<u>0.283</u>
4	Total Nongeneral Fund		\$328.232	<u>\$336.370</u>	<u>\$337.724</u>	<u>\$339.627</u>
5				<u>\$333.184</u>	<u>\$335.814</u>	<u>\$340.303</u>
6					<u>\$336.291</u>	<u>\$341.306</u>

# SELECTED ASSUMPTIONS FOR NONGENERAL FUND REVENUE ESTIMATES

## Revenue and Transportation Interim Committee

9	Year Assumption	2004	2005	2006	2007
10	Gasoline Tax				
11	FY Taxable Gallons of Gasoline (Millions)	507.837	510.042	512.256	514.480
12	FY Taxable Gallons of Gasoline--				
13	Storage Tank Cleanup (Millions)	507.767	509.971	512.185	514.409
14	FY Refunds (Millions)	(\$2.830)	(\$2.842)	(\$2.854)	(\$2.867)
15	FY Tribal Distribution (Millions)	(\$3.761)	(\$3.740)	(\$3.736)	(\$3.738)
16	FY Alcohol Incentive (Millions)	\$0.000	\$0.000	(\$3.329)	(\$6.000)
17	Diesel Tax				
18	FY Taxable Gallons of Diesel (Millions)	237.218	247.121	257.438	268.185
19	FY Taxable Gallons of Diesel--				
20	Storage Tank Cleanup (Millions)	324.090	337.620	351.715	366.398
21	FY Refunds (Millions)	(\$4.419)	(\$4.604)	(\$4.796)	(\$4.966)

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